

OFFICIAL STATEMENT

DATED NOVEMBER 5, 2020

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

NEW ISSUE—BOOK ENTRY ONLY

BAM INSURED RATING: S&P "AA" (stable outlook)

UNDERLYING RATING: MOODY'S: "A3"

SEE: "BOND INSURANCE AND MUNICIPAL BOND RATING"

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$11,675,000

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Collin County, Texas)

UNLIMITED TAX ROAD BONDS, SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Collin County Municipal Utility District No. 1 (the "District") and are not obligations of the State of Texas, Collin County, the City of Celina, Texas, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. **THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See "INVESTMENT CONSIDERATIONS."

Dated Date: December 1, 2020

Due: February 15, as shown on page 2 hereof

Interest accrues from: Delivery Date

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds is payable each February 15 and August 15, commencing August 15, 2021, until maturity or prior redemption. Interest on the Bonds accrues from the date of initial delivery to the initial purchaser thereof (the "Delivery Date"), and will be payable on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown on page 2 hereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Owners (as defined herein) 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 Owners. So long as Cede & Co. is the Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Owners of the Bonds as described herein. See "THE BONDS - Book-Entry-Only System."

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



**MATURITY SCHEDULE, INTEREST RATES,
INITIAL REOFFERING YIELDS, AND CUSIP NUMBERS**

See Schedule on page 2

The Bonds are offered, when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds is expected through DTC on or about December 2, 2020.

**MATURITY SCHEDULE, INTEREST RATES,
INITIAL REOFFERING YIELDS AND CUSIP NUMBERS**

CUSIP Prefix: 194748^(a)

<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield^(b)</u>	<u>CUSIP Suffix^(a)</u>	<u>Maturity Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield^(b)</u>	<u>CUSIP Suffix^(a)</u>
\$380,000	2022	2.000%	0.600%	FY0	\$445,000	2030 ^(c)	1.500%	1.700%	GG8
390,000	2023	2.000%	0.700%	FZ7	455,000	2031 ^(c)	2.000%	1.800%	GH6
395,000	2024	2.000%	0.800%	GA1	465,000	2032 ^(c)	2.000%	1.900%	GJ2
405,000	2025	2.000%	0.900%	GB9	475,000	2033 ^(c)	2.000%	2.000%	GK9
415,000	2026	2.000%	1.000%	GC7	485,000	2034 ^(c)	2.000%	2.080%	GL7
420,000	2027	2.000%	1.150%	GD5	495,000	2035 ^(c)	2.000%	2.150%	GM5
430,000	2028 ^(c)	1.250%	1.300%	GE3	505,000	2036 ^(c)	2.125%	2.220%	GN3
440,000	2029 ^(c)	1.500%	1.500%	GF0					

\$1,040,000 2.250% Term Bonds Due February 15, 2038 Initial Reoffering Yield 2.330%^(c) CUSIP #194748GQ6^(a)

\$1,085,000 2.250% Term Bonds Due February 15, 2040 Initial Reoffering Yield 2.370%^(c) CUSIP #194748GS2^(a)

\$2,950,000 2.375% Term Bonds Due February 15, 2045 Initial Reoffering Yield 2.450%^(c) CUSIP #194748GX1^(a)

(a) 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 purchasers of the Bonds. None of the District, the Financial Advisor (as defined herein), or the Initial Purchaser (as defined herein) shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) Initial yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(c) The Bonds maturing on and after February 15, 2028, are subject to redemption prior to maturity at the option of the District, in whole or in part, in integral multiples of \$5,000, on February 15, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In addition, the Bonds maturing on February 15, 2038, February 15, 2040 and February 15, 2045 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions - Mandatory Redemption".

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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 "BOND INSURANCE" and "APPENDIX C - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in 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, resolutions, orders, contracts, audited financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Crawford & Jordan LLP, General Counsel to the District, 3100 McKinnon Street, Suite 1100, Dallas, TX 75201, for further information.

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 as 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 will, 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, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT - Updating the Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Initial Purchaser") bearing the interest rates shown on page 2 hereof, at a price of 98.716% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.273939% as calculated pursuant to the Notice of Sale and Bidding Instructions.

PRICES AND MARKETABILITY

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate, acceptable to Bond Counsel, executed and delivered by the Initial Purchaser 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. 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.

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 the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

SECURITIES LAWS

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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 Texas. As described herein under "INVESTMENT CONSIDERATIONS- Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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 Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the area of the District 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.

While the potential impact of the Pandemic 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.

MUNICIPAL BOND INSURANCE AND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "AA" (stable outlook) with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual. Moody's Investors Services Inc. ("Moody's") has assigned an underlying credit rating of "A3" to the Bonds. See "BOND INSURANCE AND MUNICIPAL BOND RATING", "BOND INSURANCE", and "BOND INSURANCE RISK FACTORS".

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody's. The foregoing ratings express only the view of S&P and Moody's 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 the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody's, if, in their respective judgements, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. **THE SUMMARY MUST NOT BE DETACHED AND MUST BE USED IN CONJUNCTION WITH MORE COMPLETE INFORMATION CONTAINED HEREIN. A FULL REVIEW MUST BE MADE OF THE ENTIRE OFFICIAL STATEMENT AND OF THE DOCUMENTS SUMMARIZED OR DESCRIBED THEREIN.**

THE DISTRICT

Description Collin County Municipal Utility District No. 1 (the "District") is located wholly within the extraterritorial jurisdiction of the City of Celina, Texas (the "City"). At its creation, the District included approximately 514 acres of land. As a result of a series of additions and exclusions of land, the District now contains approximately 1,069.67 acres of land. The District was created by order of the Texas Commission on Environmental Quality ("TCEQ"), dated February 24, 2005, as a municipal utility district. Pursuant to Chapter 8164, Texas Special District Local Laws Code, effective June 15, 2007 (the "District Act"), the District was authorized to construct, acquire, improve, maintain, or operate macadamized, graveled, or paved roads or turnpikes, or improvements in aid thereof, construct or acquire and convey to a political subdivision a water supply or treatment system, a water distribution system, or a sanitary sewer collection or treatment system. The creation of the District was confirmed by election on May 10, 2008. The rights, powers, privileges, authority and functions of the District are established by the District Act and the general laws of the State of Texas pertaining to municipal utility districts and particularly Chapters 49 and 54, Texas Water Code, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ.

The Development The District contains the development known as "Light Farms". Light Farms is a 1,069-acre master planned residential community located in Collin County, Texas, approximately 37 miles north of downtown Dallas between the Town of Prosper, Texas, and City of Celina, Texas, on the east side of Dallas Parkway and west of Preston Road. Light Farms has been designed by TBG Partners, an international architecture firm, and Huitt-Zollars, Inc., a full-service engineering firm. Both firms specialize in large, master planned land developments such as Light Farms. Land acquisitions began in 2007, with lot development commencing in July 2012. As of August 1, 2020, the District included approximately 1,069 acres containing 2,026 completed single-family residential lots, a daycare facility and 2 elementary school as well as the following amenities:

An amenity center known as the Barnyard that includes the sales and information center, tennis courts, fitness center, pool complex and central courtyard. The information center and fitness center were constructed around repurposed early 19th century barns. The main pool complex contains 4 separate pools and a splash center with two separate pool located in separate locations within the community.

Status of Development Pursuant to agreements with the Developers (hereinafter defined), the District has provided for the design and construction of infrastructure to serve the land within its boundaries. As of August 1, 2020, construction of water, sanitary sewer, drainage facilities, and road improvements to serve approximately 595 acres, consisting of 2,026 developed residential lots (516 acres), 121 lots under development (24 acres), approximately 11 acres consisting of the amenity center, approximately 45 acres consisting of Arterial and Collector Roads, the 10 acre site for the first elementary school, the 11 acre site for the second elementary school, and 2 acres for a day care site have been developed. Utilities for the remaining 316 developable but undeveloped acres (planned for development of approximately 1,150 residential lots and retail sites) are expected to be completed within the next several years. The remaining 158 acres are considered undevelopable. As of August 1, 2020, there were a total of 1,668 completed homes within the District (of which approximately 1,592 were occupied), and approximately 88 homes in various stages of construction. Light Farms Elementary School, part of the Prosper Independent School District ("PISD"), was completed on a tract of land contiguous to the amenity center and opened August 2015. Boyer Elementary, a second PISD elementary school, has been completed and opened in August 2018. Homebuilders that have contracted to buy lots within the District include: Highland Homes, Darling Homes, K. Hovnanian Homes, Shaddock Homes, Drees Homes, Lionsgate Homes, American Legend Homes, Mainvue Homes, M/I Homes, Newport Homes, Taylor Morrison, Tradition Homes, Trophy Signature Homes and Britton Homes. As of August 1, 2020, there were signed contracts with home builders for 2,020 lots developed within the District. Each homebuilder is required to put up significant earnest money and agree to specific take-down schedules. New homes in the developed subdivisions are expected to range from approximately the high \$200,000's to high \$600,000's.

- Outstanding Bonds** The Bonds constitute the fifth series of unlimited tax road bonds issued by the District. The District has previously issued its "Unlimited Tax Road Bonds, Series 2014", "Unlimited Tax Road Bonds, Series 2015", "Unlimited Tax Road Bonds, Series 2016", and "Unlimited Tax Road Bonds, Series 2017" in the original principal amounts of \$11,500,000, \$11,000,000, \$14,500,000, \$14,915,000 respectively which \$47,390,000 remains outstanding (collectively the "Outstanding Road Bonds"). The District also previously issued its, "Unlimited Tax Utility System Bonds, Series 2018" and "Unlimited Tax Utility System Bonds, Series 2019" in the original principal amounts of \$14,915,000 and \$10,795,000 respectively, of which \$25,275,000 remains outstanding (collectively the "Outstanding Utility System Bonds" and together with the Outstanding Road Bonds, the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
- Future Debt**..... The Developers have advanced certain funds on behalf of the District for administration and operating costs and for the construction of utility facilities and road improvements. After reimbursements are made with proceeds of the Bonds, the District will owe approximately \$39,440,000 to the Developers for such purposes. The District intends to issue additional bonds as soon as feasible and from time to time in the future in order to fully reimburse the Developers. The District expects to issue additional debt in calendar year 2021 for the purposes of financing roads and/or water, sanitary sewer, and drainage facilities. See "DEBT AND FINANCIAL INFORMATION – Future Debt."
- Developers**..... Of the 1,069 acres included in the District, approximately 806 acres were initially owned by LFC Land Company, LLC ("LFC Land I"); and approximately 263 acres were owned by LFC Land Company II, LLC ("LFC Land II"), an entity related to LFC Land I. LFC Land I subsequently made several conveyances, including conveyances of land within the District to twelve wholly owned subsidiaries: 60 acres to LFC Development Company I, LLC, a Texas limited liability company ("Devco I"), 21 acres to LFC Devco Maydelle, LLC, a Texas limited liability company ("Devco Maydelle"), 41 acres to LFC BIG II, LLC, a Texas limited liability company ("Devco BIG II"), 42 acres to LFC Devco Cypress, LLC, a Texas limited liability company ("Devco Cypress"), 18 acres to LFC Devco Graham LLC, a Texas limited liability company ("Devco Graham"), 79 acres to LFC Devco HLH, LLC, a Texas limited liability company ("Devco HLH"), 34 acres to LFC Devco GM, LLC, a Texas limited liability company, ("Devco GM"), 84 acres to LFC Devco EC, LLC, a Texas limited liability company ("Devco EC"), 16 acres to LFC Devco Grange IV, LLC, a Texas limited liability company ("Devco Grange IV"), 42 acres to LFC Devco Sweetwater, LLC, A Texas limited liability company ("Devco Sweetwater"), 26 acres to LFC Devco Brenham, LLC, a Texas limited liability company ("Devco Brenham"), and 18 acres to LFC Devco GH, LLC, A Texas limited liability company ("Devco GH"). LFC Land II subsequently made a conveyance of land within the District to three wholly owned subsidiaries: 36 acres to LFC Devco Sage, LLC, a Texas limited liability company ("Devco Sage"), 32 acres to LFC Devco Sage II, LLC, a Texas limited liability company ("Devco Sage II"), and 24 acres to LFC Devco Sage III, LLC, a Texas limited liability company ("Devco Sage III"). LFC Land I and LFC Land II and each of the fifteen development entities are managed by either Republic Property Group, Ltd. ("RPG"), or its affiliates. Devco I, Devco Maydelle, Devco Big II, Devco Cypress, Devco Graham, and Devco Sage have completed development within the District and are not owed any future reimbursement. LFC Land I and LFC Land II and each of the fifteen development entities are collectively referred to as the "LFC Developers". LFC Land II recently sold land to two unrelated entities for development: 105 acres to Toll Southwest, LLC, a Delaware limited liability company ("Toll Brothers") and 24 acres to Light Farms Build to Rent, LLC, a Delaware limited liability company ("BB Living"). The land owned by Toll Brothers and BB Living will be developed by RPG for the benefit of each owner. LFC Land I, LFC Land II, Devco HLH, Devco GM, Devco EC, Devco Grange IV, Devco Brenham, Devco Sweetwater, Devco GH, Devco Sage II, Devco Sage III, Toll Brothers, and BB Living, collectively, may be referred to herein as the "Developers" (see "THE DEVELOPERS").
- Development Financing**..... LFC Land I has financed the acquisition and development of land in the District with a combination of a \$48,000,000 (decreased to \$38,000,000) revolving loan from Bank SNB National Association, which loan was refinanced with a \$75,008,603 loan from Doss, Ltd., with a maturity of December 31, 2023, and had a balance due as of August 1, 2020 of \$16,457,977, and a \$47,000,000 mezzanine loan from Doss, Ltd., which loan has a maturity of December 31, 2023, and had a balance due, as of August 1, 2020, of \$30,728,094. LFC Land II obtained an \$18,250,598 (increased to \$22,053,415) acquisition loan from Doss, Ltd. which loan has a maturity of December 27, 2023, and had a balance due, as of August 1, 2020, of \$5,348,643. Devco Brenham obtained a development loan from Doss, Ltd. in the amount of \$5,268,985, which has a maturity date of April 20, 2021, and has a \$2,286,559 balance due as of August 1, 2020. Devco Sweetwater obtained a development loan from Doss, Ltd. in the amount of \$10,341,819, which has a maturity date of April 26, 2021, and has a \$9,417,101 balance due as of August 1, 2020. Devco GH obtained a development loan from Doss, Ltd. in the amount of \$3,741,384, which has a maturity date of April

10, 2023, and has a \$2,915,836 balance due as of August 1, 2020. Devco Sage III obtained a development loan from Doss, Ltd. in the amount of \$5,197,375, which has a maturity date of December 27, 2023, and has a \$2,309,540 balance due as of August 1, 2020. Doss, Ltd. is a partnership affiliated with the majority owner of LFC Land I and LFC Land II. According to the LFC Developers, there are currently no other development or acquisition loans secured by liens on land within the District.

THE BONDS

- The Issue*** \$11,675,000 Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2020 (the "Bonds"), dated December 1, 2020, are being issued pursuant to an order ("Bond Order") authorizing the issuance of the Bonds adopted by the District's Board of Directors as fully registered bonds. The Bonds mature on February 15 in each of the years and in the respective principal amounts shown on page 2 hereof. The Bonds will be issued in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."
- Authority for Issuance*** The Bonds are issued pursuant to the Bond Order, Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, the District Act, and an election held within the boundaries of the District. See "THE BONDS— Authority for Issuance." At an election held within the District on May 10, 2008, voters authorized a total of \$416,860,000 of unlimited tax bonds, consisting of \$264,480,000 for Road purposes and \$152,380,000 for water, sanitary, sewer and drainage purposes. The Bonds are the fifth installment of such bonds issued by the District for road purposes. After issuance of the Bonds, the District will have \$200,890,000 in unlimited tax bonds authorized but unissued for road purposes and \$126,670,000 in unlimited tax bonds authorized but unissued for water, sanitary, sewer and drainage purposes. The District also has \$625,290,000 in unlimited tax bonds authorized but unissued for the purpose of refunding all or any portion of bonds or refunding bonds of the District, consisting of \$396,720,000 for the purpose of refunding bonds issued for road purposes and \$228,570,000 for the purpose of refunding bonds issued for water, sanitary sewer, and drainage purposes. See "THE BONDS - Issuance of Additional Debt."
- Source of Payment*** The Bonds are payable from a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment."
- Use of Proceeds*** Proceeds from the Bonds will be used by the District to reimburse certain of the LFC Developers for the cost of the acquisition of construction of roads and functionally related improvements in the aid thereof and cost of issuance of the Bonds. See "ROADS AND RELATED IMPROVEMENTS, AND THE WATER, WASTEWATER, DRAINAGE FACILITIES – Estimated Use and Distribution of Bond Proceeds."
- Redemption*** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. The Initial Purchaser may designate certain maturities of the Bonds as term bonds, which would be subject to mandatory redemption. See "THE BONDS – Redemption Provisions."
- Payment Record*** The District has made timely payment when due of all debt service on its previously issued debt.
- Bond Counsel*** Orrick, Herrington & Sutcliffe LLP, Austin, Texas.
- General Counsel*** Crawford & Jordan LLP, Dallas Texas.
- Disclosure Counsel*** McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
- Financial Advisor*** Hilltop Securities Inc., Fort Worth, Texas.
- Engineer*** Huitt-Zollars, Inc., Consulting Engineers, Dallas, Texas.
- Paying Agent/Registrar*** BOKF, NA, Dallas, Texas.

Municipal Bond Insurance

and Rating..... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Services Inc. ("Moody's") has assigned an underlying credit rating of "A3" to the Bonds. An explanation of such ratings may be obtained from Moody's and S&P. The fee associated with the S&P rating will be paid by the Initial Purchaser. See "BOND INSURANCE AND MUNICIPAL BOND RATING", "BOND INSURANCE", and "BOND INSURANCE RISK FACTORS."

Investment Considerations .. THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY AND CONTINUED CONSTRUCTION OF TAXABLE IMPROVEMENTS LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE PURCHASE AND OWNERSHIP OF THE BONDS DESCRIBED HEREIN ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Net Taxable Assessed Valuation as of January 1, 2020	\$ 726,912,256 ^(a)
Estimated Assessed Valuation as of August 1, 2020 (100% of Estimated Market Value)	\$ 784,300,000 ^(b)
Direct Debt	
Outstanding Road Bonds (as of August 1, 2020)	\$ 47,390,000
Outstanding Utility System Bonds (as of August 1, 2020)	25,275,000
The Bonds	<u>11,675,000</u>
Gross Direct Debt Outstanding	\$ 84,340,000
Estimated Overlapping Debt	\$ 36,387,238 ^(c)
Ratios of Gross Direct Debt to:	
2020 Net Taxable Assessed Valuation	11.60%
Estimated Taxable Assessed Valuation as of August 1, 2020	10.75%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2020 Net Taxable Assessed Valuation	16.61%
Estimated Taxable Assessed Valuation as of August 1, 2020	15.39%
Average Annual Debt Service Requirement (2021-2045)	\$ 4,774,984
Maximum Annual Debt Service Requirement (2022)	\$ 5,514,013
Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.6915
Based upon Estimated Taxable Assessed Valuation as of August 1, 2020	\$ 0.6409
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.7985
Based upon Estimated Assessed Valuation as of August 1, 2020	\$ 0.7401
Interest and Sinking Fund Balance (Utility System) (as of August 1, 2020)	\$ 1,411,402 ^(d)
Interest and Sinking Fund Balance (Road Facilities) (as of August 1, 2020)	\$ 4,505,239 ^(d)
General Fund Balance (as of August 1, 2020)	\$ 2,440,113
Contract Tax Fund Balance (as of August 1, 2020)	\$ 919,384
2020/21 District Tax Rate (per \$100 Assessed Valuation)	
Debt Service	\$ 0.7000 ^(e)
Maintenance and Operations	0.2555
Contract Tax	<u>0.0945 ^(f)</u>
Total	\$ 1.0500
Status of Estimated Home Construction as of August 1, 2020	
Single Family Homes Completed and Occupied	1,592
Single Family Homes Completed and Unoccupied	76
Single Family Homes Under Construction	88
Developed but Vacant Lots	<u>270</u>
Total	2,026

- (a) As certified by the Collin Central Appraisal District (the "Appraisal District") as of January 1, 2020. See "TAXING PROCEDURES." This amount includes \$6,218,338 of uncertified value, which represents the Appraisal District's estimate of the minimum amount of uncertified value that will ultimately be certified.
- (b) The estimated Taxable Assessed Valuation as of August 1, 2020, is intended to add the estimated taxable assessed value of improvements constructed after January 1, 2020 through August 1, 2020 and was provided by the Appraisal District. This estimated assessed value is provided for informational purposes only and taxes will not be levied on such estimated assessed value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
- (c) See "TAX DATA - Estimated Overlapping Debt" and "Overlapping Taxes."
- (d) Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Interest and Sinking Fund in excess of amounts necessary to pay, when due, debt service on outstanding bonds of the District. Of such balance \$1,411,402 is allocated to pay debt service on bonds issued for the purpose of financing utility system facilities, and \$4,505,239 is allocated to pay debt service on bonds issued for the purpose of financing road facilities.
- (e) All of the \$0.70 per \$100 of taxable assessed valuation is to be used to pay debt service on the District's Outstanding Bonds and the Bonds. The District levied a tax rate of \$0.2256 per \$100 valuation to pay debt service on bonds issued to finance utility facilities, and \$0.4744 per \$100 valuation to pay debt service on bonds issued to finance road facilities.
- (f) See "THE DISTRICT – Interlocal Agreements with City for Fire Protection Services and Law Enforcement Services" and "TAX DATA – Contract Tax."

OFFICIAL STATEMENT

\$11,675,000

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Collin County, Texas)

UNLIMITED TAX ROAD BONDS, SERIES 2020

This Official Statement provides certain information in connection with the issuance by Collin County Municipal Utility District No. 1 (the "District") of its \$11,675,000 Unlimited Tax Road Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas (the "State"), including particularly, Chapters 49 and 54, Texas Water Code, as amended, Chapter 8164, Texas Special District Local Laws Code, as amended (the "District Act"), an order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board"), and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Crawford & Jordan LLP, 3100 McKinnon Street, Suite 1100, Dallas, TX 75201, upon payment of the cost of duplication.

INVESTMENT CONSIDERATIONS

GENERAL

The Bonds are obligations of the District and not obligations of the State, Collin County, the City of Celina (the "City"), or any other political entity other than the District. The Bonds will be secured by a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

Economic Factors . . . The stability and/or growth of taxable values in the District is directly related to the vitality of the housing industry in the Dallas/Fort Worth Metropolitan area (the "Metroplex"). The housing and building industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, employment levels, and general economic conditions. In the past several years, the Metroplex has experienced strong economic growth positively affecting local residential development and construction industries. For the past several years the area north of Dallas/Fort Worth International Airport, including Collin County, has been one of the highest growth areas in the country.

A substantial portion of the taxable values of the District is derived from the current market value of certain developed lots and undeveloped tracts. The market value of such lots and tracts is related to general economic conditions affecting the demand for single family, multi-family, commercial, retail, and office space. Demand for lots and tracts of this type and the construction of single family, multi-family residential dwellings, and/or commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such lots and tracts is directed. Decreased levels of construction activity or reduced resale value of such lots and tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

Future development and construction in the District is highly dependent on the availability of financing. Many lenders have become more selective in making real estate loans in the Metroplex. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential builders and home purchasers.

Credit Markets and Liquidity in the Financial Markets . . . Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 37 miles from the central downtown business district of the City of Dallas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Metroplex regional economy and national credit and financial markets. A downturn in the economic conditions of Metroplex and decline in the nation's real estate and financial markets could continue to adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

National Economy . . . Existing-home sales continue to recover at a record pace. Home sales, which had gone on a declining spree due to social distancing and economic unpredictability, have now reached pre-COVID levels. The month of June 2020 recorded a spike of 24.7% in existing home sales from June 2019, according to the National Association of Realtors. These include single-family homes, townhomes, condominiums, and co-ops. June's record monthly increase in sales was 20.7%. Sales as a whole rose year-over-year, up 8.7% from a year ago in July 2019.

Recent Events in Real Estate Market . . . The latest housing data, shows that median listing prices grew approximately 10% percent over last year, the fastest pace of growth since January 2018. Record low mortgage rates are providing opportunities for buyers to lock-in low monthly mortgage payments for future years. The latest housing market trends show that prices are rising in most parts of the country and most price segments because of the lack of supply. Although growth in supply remains below normal seasonal pace it continues to improve as buyers anxiously await more sellers to put fresh new homes for sale on the market. Tight housing inventory was the issue for buyers before COVID-19 as well. Due to this persistent shortage of housing, some experts predict that the median home price for the country as a whole could easily rise by 10% cumulatively over the next two years.

Competition . . . The demand for and construction of single-family homes in the District, which is approximately 37 miles from downtown Dallas, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Metroplex area market.

Developers/Landowners Obligation to the District . . . The LFC Developers (as defined under "THE DEVELOPERS") own land in the District constituting approximately 7.42% of the District's tax roll. There are no commitments from or obligations of the LFC Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or develop tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Dependence on Significant Taxpayers . . . Based on the 2020 tax rolls, the LFC Developers are responsible for 7.42% of the District's 2020 tax levy and the District's top ten taxpayers are responsible for approximately 9.58% of the District's 2020 tax levy. See "THE DEVELOPERS." The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more significant taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by State law, to maintain any particular balance in its Interest and Sinking Fund (defined herein) or any other funds to allow for any such delinquencies. Failure to collect or borrow funds in a timely fashion could result in an increase in the District tax rate, hindering growth and leading to further defaults in the payment of taxes. Therefore, failure by one or more significant taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED SEPTEMBER 30, 2019."

Impact on District Debt Service Tax Rates . . . Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 certified net taxable assessed valuation of the District is \$726,912,256. After issuance of the Bonds, the average annual debt service requirement is \$4,774,984 (2021 through 2045) and the maximum annual debt service requirement is \$5,514,013 (2022). Assuming no increase or decrease from the 2020 certified net assessed valuation and no use of funds other than tax collections, a tax rate of \$0.6915 per \$100 assessed valuation at a 95.00% collection rate would be necessary to pay the average annual debt service requirement and a tax rate of \$0.7985 per \$100 assessed valuation at a 95.00% collection rate would be necessary to pay the maximum annual debt service requirement (see "DEBT AND FINANCIAL INFORMATION – Debt Service Requirements"). In order for the District to pay the maximum annual debt service requirement and to maintain a debt service tax rate of \$0.70 per \$100 of net assessed valuation, an increase in the District's net assessed valuation from the estimated net taxable assessed valuation as of August 1, 2020 would be necessary. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2020 certified net taxable assessed valuation, the District can make no representations regarding the future level of assessed valuation within the District. Any increase in taxable values depends on the continuing construction and sale of homes and other taxable improvements within the District. See "TAXING PROCEDURES" and "TAX DATA - Tax Adequacy for Debt Service."

RECENT FINANCIAL DEVELOPMENTS – INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . 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 Texas. 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 Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). The Governor has issued successive renewals of the State disaster declarations, most recently renewing such declarations on October 7, 2020. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for Texas.

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 this disaster and issuing executive orders that have the force and effect of law. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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 Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas 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 area of the District 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.

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.

THE EFFECT OF THE FINANCIAL INSTITUTIONS ACT OF 1989 ON TAX COLLECTIONS OF THE DISTRICT

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC or RTC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

FUTURE DEBT

Following issuance of the Bonds, the District will have \$200,890,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring and constructing roads, an additional \$126,670,000 for the purpose of water, sanitary sewer and drainage purposes, \$625,290,000 for the refunding of all or any portion of bonds or refunding bonds of the District consisting of \$228,570,000 for the refunding of all or any portion of bonds issued for water, sanitary sewer, and drainage purposes and \$396,720,000 for the refunding of all or a portion of bonds issued for road purposes. To date the LFC Developers have advanced certain funds for construction of utilities and roads for which they have not been reimbursed. After the reimbursements are made with proceeds of the Bonds, there will be approximately \$39,440,000 (based on costs incurred as of August 1, 2020) plus interest to be reimbursed in the future to the LFC Developers for administration and operating costs and for road and water, sanitary sewer, and drainage costs. The District intends to issue additional bonds in order to fully reimburse the LFC Developers and to develop the remainder of undeveloped but developable land within the District. See "THE BONDS-Issuance of Additional Debt" and "ROADS AND RELATED IMPROVEMENTS AND THE WATER, WASTEWATER AND DRAINAGE FACILITIES." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with respect to the issuance of additional bonds, but currently must comply with formulas promulgated by the Attorney General of the State of Texas (the "Attorney General") and the TCEQ, respectively, with regard to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. Any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the TCEQ. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District. Bonds issued by the District must be approved by the Attorney General.

TAX COLLECTION LIMITATIONS 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 State law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of enforcement of liens for post-petition taxes against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES-District's Rights in the Event of Tax Delinquencies."

OWNERS' REMEDIES AND BANKRUPTCY LIMITATIONS

In the event of default in the payment of principal of or interest on the Bonds, registered owners of any outstanding Bonds, or if the Bonds are in a securities depository system, a registered owner includes the beneficial owner of the Bonds (collectively referred to herein as the "Owners"), have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. There is no provision for acceleration of maturity on the principal of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if the Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Owners would have to initiate and finance the legal process to enforce their remedies.

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

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

The District may not be placed into bankruptcy involuntarily.

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS

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

MARKETABILITY

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, which are more generally bought, sold or traded in the secondary market.

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 Owners of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

THE BONDS

DESCRIPTION

The Bonds are dated December 1, 2020, with interest accruing from the date of initial delivery (the "Delivery Date") to the initial purchaser (the "Initial Purchaser"), payable on August 15, 2021, and on each February 15 and August 15 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on February 15 of the years and in the amounts shown under "MATURITY SCHEDULE, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIP NUMBERS" on page 2 hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

The principal of and interest on the Bonds will be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar. If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed on or before the Interest Payment Date, by the Paying Agent/Registrar to the Owners on the Record Date (described below under "THE BONDS – Record Date for Interest Payment"), to the address of such Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Owners at the risk and expense of the Owners.

If the date for payment of the principal of or interest on any Bond is a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the State or city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding business day, as described in the Bond Order.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Please note that these websites are included herein as active textual references only, and the information contained on (or accessed through) these websites is not incorporated herein and should not be construed as part of this Official Statement.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 transfers through DTC (or a successor securities depository). In that event certificates, representing the Bonds, will be printed and delivered.

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-Only System, references in other sections of this Official Statement to "Owners" should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Owners under the Bond Order will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed securities certificates will be issued to the respective Owners and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under caption "Registration and Transfer" below.

RECORD DATE FOR INTEREST PAYMENT

The date for determining the person to whom the interest on the Bonds is payable on any Interest Payment Date means the close of business on the last business day of the calendar month next preceding the Interest Payment Date (the "Record Date").

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

SOURCE OF PAYMENT

The Bonds, the Outstanding Bonds (hereinafter defined), and any bonds subsequently issued payable from taxes, are secured by and payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES." The Bonds involve 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, Collin County, the City, or any political subdivision or entity other than the District.

PERFECTED SECURITY INTEREST

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Bond Order and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Bond Order is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing to perfect the security interest in said pledge to occur.

FUNDS

Interest and Sinking Fund. . . The Bond Order confirms the establishment of the District's Road Bond Interest and Sinking Fund (the "Interest and Sinking Fund") created by and confirmed in the orders authorizing the Outstanding Road Bonds (hereinafter defined). The Interest and Sinking Fund, which constitutes a trust fund for the benefit of the Owners of the Bonds, the Outstanding Road Bonds, and any additional tax bonds issued by the District for road purposes, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds and any of the District's duly authorized additional bonds payable from taxes for road purposes. Amounts on deposit in the Interest and Sinking Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Road Bonds and any additional bonds for road purposes payable from taxes.

Project Fund. . . The Bond Order establishes the District's Road Project Fund (the "Project Fund"). All proceeds of the sale of the Bonds will be deposited into the Project Fund and used to pay costs of issuance and construction costs.

REDEMPTION PROVISIONS

Optional Redemption . . . The District reserves the right, at its option, to redeem the Bonds maturing on and after February 15, 2028, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on February 15, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed will be selected by the Board of Directors of the District. If fewer than all the Bonds of a certain maturity are to be optionally redeemed, the particular Bonds to be redeemed will be selected by the Paying Agent/Registrar by lot or other method of random selection as the Paying Agent/Registrar deems fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Redemption . . . In addition to the optional redemption provisions described above, the bonds maturing on February 15, 2038, February 15, 2040 and February 15, 2045 (the "Term Bonds"), are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof plus interest accrued thereon to the redemption date, in whole or in part, on the dates and in the principal amounts as follows:.

Term Bonds Maturing February 15, 2038		Term Bonds Maturing February 15, 2040		Term Bonds Maturing February 15, 2045	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2037	\$ 515,000	February 15, 2039	\$ 535,000	February 15, 2041	\$ 560,000
February 15, 2038*	525,000	February 15, 2040*	550,000	February 15, 2042	575,000
	<u>\$ 1,040,000</u>		<u>\$ 1,085,000</u>	February 15, 2043	590,000
				February 15, 2044	605,000
				February 15, 2045*	620,000
					<u>\$ 2,950,000</u>

*Maturity

At least 50 days prior to the mandatory redemption date for the Term Bonds, the Paying Agent/Registrar will select by lot, or other method of random selection as Paying Agent/Registrar deems fair and appropriate, the Term Bond to be redeemed. Any Term Bond, or a portion thereof, not selected for prior redemption will be paid on the date of final maturity. To the extent, however, that Term Bonds which at least 45 days prior to a mandatory redemption date (i) have been previously purchased by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) called for optional redemption in part and other than from a sinking fund redemption payment, the annual sinking fund payment therefor will be reduced, as determined by the District, by the principal amount of the Term Bond so purchased or redeemed.

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar will authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption; Effect of Redemption . . . Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption by sending written notice by first class mail or overnight delivery to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Neither the failure to give such notice nor defect therein will affect the sufficiency of the notice given to the Owner. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. 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 will 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 Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Conditional Notice of Redemption . . . Notwithstanding anything in the Bond Order to the contrary, the District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District must include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent. The Paying Agent/Registrar must give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded will remain outstanding and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make money or authorized securities available in part or in whole on or before the redemption date will not constitute an event of default.

AUTHORITY FOR ISSUANCE

At an election held within the District on May 10, 2008, voters of the District authorized a total of \$264,480,000 in bonds for the purpose of acquiring and constructing roads. The Bonds constitute the fifth series of unlimited tax bonds issued by the District out of such authorization. After the issuance and sale of the Bonds, \$200,890,000 in principal amount of unlimited tax bonds for road purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the District Act; and a bond election held within the District for the purpose of (i) financing the construction, acquisition, improvement, maintenance and operation of macadamized, graveled or paved roads, or turnpikes or improvements in aid of those turnpikes, inside or outside the boundary of the District and (II) pay cost of issuance of the Bonds. See "ROADS AND RELATED IMPROVEMENTS AND WATER, WASTEWATER, AND DRAINAGE FACILITIES - Estimated Use and Distribution of Bond Proceeds." In addition, the District has \$126,670,000 in authorized but unissued unlimited tax bonds for water, sanitary sewer, and drainage purposes. Further, the District has \$625,290,000 in authorized but unissued unlimited tax bonds for refunding all or any portion of bonds or refunding bonds of the District, consisting of \$228,570,000 for the purpose of refunding bonds issued for water, sanitary sewer, and drainage purposes and \$396,720,000 for the purpose of refunding bonds issued for road purposes.

Before the Bonds can be issued, the Attorney General must pass upon the legality of certain related matters. The Attorney General does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

REPLACEMENT OF PAYING AGENT/REGISTRAR

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar must act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District must be a national or state banking institution, an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

REGISTRATION AND TRANSFER

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the Book-Entry-Only System should be discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate principal amount or maturing amounts, as appropriate, equal to the unpaid principal amount or maturing amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds in accordance with the Bond Order. Each Bond delivered will be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar will be required to transfer or to exchange any Bond during the period beginning on the close of business on a Record Date and ending with the opening of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30-day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the District.

LOST, STOLEN, OR DESTROYED BONDS

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a lost, stolen, damaged or mutilated Bond, the District will execute and the Paying Agent/Registrar will authenticate and deliver in exchange therefor a substitute Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, will, upon receipt of certain documentation from the Owner and indemnification satisfactory of the District, execute and the Paying Agent/Registrar will authenticate and deliver a substitute Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Owners of lost, stolen, destroyed, damaged, or mutilated Bonds will be required to pay the District's costs and fees to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

PAYMENT RECORD

The District has never defaulted in payment of its previously issued debt.

OUTSTANDING BONDS

The District also has previously issued its "Unlimited Tax Road Bonds, Series 2014", "Unlimited Tax Road Bonds, Series 2015", "Unlimited Tax Road Bonds, Series 2016" and "Unlimited Tax Road Bonds, Series 2017" in the original principal amounts of \$11,500,000, \$11,000,000, \$14,500,000 and \$14,915,000, respectively, of which \$47,390,000 remains outstanding (collectively the "Outstanding Road Bonds"). The District has previously issued its "Unlimited Tax Utility System Bonds, Series 2018", and "Unlimited Tax Utility System Bonds, Series 2019" in the original principal amounts of \$14,915,000 and \$10,795,000 respectively which \$25,275,000 remains outstanding (collectively the "Outstanding Utility System Bonds" and together with the outstanding Road Bonds the "Outstanding Bonds").

ISSUANCE OF ADDITIONAL DEBT

The District intends to issue additional bonds from its voted authorization. See "THE BONDS – Authority for Issuance." Any bonds issued by the District, however, must be approved by the Attorney General. Approval of the TCEQ is necessary for the issuance of bonds issued to finance the acquisition or construction of water, wastewater or drainage facilities. See "THE DISTRICT - General."

The Bond Order imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. However, the total amount of bonds and other obligations issued for road purposes may not exceed one-fourth of the assessed valuation of real property in the District. In addition, the issuance of bonds for road purposes must comply with certain assessed valuation and tax rate requirements promulgated by the Attorney General, and the issuance of bonds for water, wastewater, and drainage purposes must comply with certain assessed valuation and tax rate requirements of 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 purposes. However, pursuant to the Development Agreement (defined herein) with the City, the City must consent to the issuance of bonds for firefighting activities. In addition to the City's consent, 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.

The District has not conducted an election seeking authorization from the District voters for the issuance of bonds payable from ad valorem taxes to finance fire-fighting improvements. However, pursuant to an Order of the TCEQ and an election held on May 6, 2017, within the District, the District has adopted a Fire Protection Plan (the "Fire Plan"), entered into an Interlocal Cooperation Agreement with the City (the "Fire Protection Services Agreement") for fire protection and emergency medical services, and established rates and charges to pay for such services. The source of payment established by the Fire Plan and approved by the District voters for the services provided by the City include fees and charges to be collected from District residents and builders, as well as proceeds of an annual ad valorem contract tax. The District does not currently anticipate that the Fire Plan will require an increase of its current total tax rate of \$1.05 per \$100 assessed valuation. See "THE DISTRICT – Interlocal Agreements with City for Fire Protection Services and Law Enforcement Services."

REMEDIES IN EVENT OF DEFAULT

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. 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 Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if an Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, an Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS-Owners' Remedies and Bankruptcy Limitations." Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Bonds are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible security under the Texas Public Funds Collateral Act, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA") and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entities' funds or to be eligible to serve as collateral for their funds.

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

DEFEASANCE

Except to the extent provided in the Bond Order, any Bond, and the interest thereon, will be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either: (i) will have been made or caused to be made in accordance with the terms of such Bond (including the giving of any required notice of redemption), or (ii) will have been provided for on or before such due date by irrevocably depositing with or making available to a person (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit for such payment (the "Deposit") lawful money of the United States of America sufficient to make such payment or Government Obligations (defined below), which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause a Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the District will cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification") or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the chief financial officer of the District certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the District will also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms of the Bond Order and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required under the Bond Order must be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds will remain outstanding unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond is deemed to be a Defeased Bond, and all required criteria under the Bond Order have been met, such Bond and the interest thereon will no longer be outstanding or unpaid and will no longer be entitled to the benefits of the pledge of the security interest granted under the Bond Order, and such principal and interest will be payable solely from the Deposit of money or Government Obligations. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes.

"Government Obligations" means any securities permitted by Section 1207.062, Texas Government Code (or any successor statute), including (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) 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 issuer 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; or (iii) 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 issuer 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Owners of the Bonds may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under State law.

THE DISTRICT

GENERAL

The District is located wholly within the extraterritorial jurisdiction of the City. At its creation, the District included approximately 514 acres of land. As a result of a series of additions and exclusions of land, the District now contains approximately 1,069.67 acres of land. The District was created by order of the TCEQ, dated February 24, 2005, as a municipal utility district with the power to acquire, and construct a water, sanitary sewer and drainage system. The creation of the District was confirmed by election held within the District on May 10, 2008. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State pertaining to municipal utility districts and particularly Chapters 49 and 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. Pursuant to the District Act, and to accomplish the purposes of Article III, Section 52 of the Texas Constitution, the District was authorized to (i) construct, acquire, improve, maintain, or operate macadamized, graveled, or paved roads or turnpikes, or improvements in aid thereof; and (ii) construct or acquire and convey to a political subdivision a water supply or treatment system, a water distribution system, or a sanitary sewer collection or treatment system. The District is subject to the continuing supervision of the TCEQ. The District is governed by a Board consisting of five (5) individuals who are owners of property within or qualified voters in the District and elected by voters within the District.

In addition to road facilities, the District is also empowered to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for (i) the supply and distribution of water; (ii) the collection, transportation, and treatment of wastewater; and (iii) the control and diversion of storm water. The District may issue bonds and other forms of indebtedness for such purposes. Additionally, the District may provide solid waste disposal and collection services. With the consent of the City, the District is also empowered to issue bonds or other obligations to finance or construct fire protection equipment or facilities, after approval by the TCEQ and the voters of the District. See "THE BONDS – Issuance of Additional Debt".

The District is presently subject to the Development Agreement with and a consent resolution of the City. See "THE DISTRICT – Development Agreement with City." The Development Agreement imposes requirements which limit the conditions under which the District may sell bonds. Such agreement provides for, among other matters, City approval of District utility and road construction plans and limits utility connections only to lots or reserves described in approved plats. Construction of the water, sanitary sewer, and drainage system and roads serving the District are subject to the regulatory jurisdiction of the State and local agencies. See "ROADS AND RELATED IMPROVEMENTS AND THE WATER, WASTEWATER, AND DRAINAGE FACILITIES."

LOCATION

The District is located wholly within Collin County and is approximately 37 miles north of downtown Dallas, on the eastside of the Dallas Parkway and West of Preston Road. The District lies wholly within the extraterritorial jurisdiction of the City.

STATUS OF DEVELOPMENT

Pursuant to agreements with the LFC Developers (hereinafter defined), the District has provided for the design and construction of infrastructure to serve the land within its boundaries. As of August 1, 2020, construction of water, sanitary sewer, drainage facilities, and road improvements to serve approximately 595 acres consisting of 2,026 developed residential lots (516 acres), 121 lots under development (24 acres), approximately 11 acres consisting of the amenity center, approximately 45 acres consisting of Arterial and Collector Roads, the 10 acre site for the first elementary school, the 11 acre site for the second elementary school, and 2 acres for a day care site have been developed. Utilities for the remaining 316 developable but undeveloped acres (planned for development of approximately 1,150 residential lots and retail sites) are expected to be completed within the next several years. The remaining 158 acres are considered undevelopable. As of August 1, 2020, there were a total of 1,668 completed homes within the District (of which approximately 1,592 were occupied), and approximately 88 homes in various stages of construction. Light Farms Elementary School, part of the Prosper Independent School District ("PISD"), was completed on a tract of land contiguous to the amenity center and opened August 2015. Boyer Elementary, a second PISD elementary school, has been completed and opened in August 2018.

Subdivision Name	Number of Proposed Lots	Acreage**	Lots Under Construction	Completed Lots	Builders Contracted Lots	Completed Homes*	Homes Under Construction*
Bluestem Phase 1	123	27	0	123	123	123	0
Bluestem Phase 2	52	11	0	52	52	52	0
Brenham	127	26	0	127	125	71	17
Cypress Phase 1	119	38	0	119	119	119	0
Cypress Phase 2	148	37	0	148	146	140	6
Eastland	156	31	0	156	156	117	21
Graham Phase 1	78	18	0	78	78	78	0
Grange Phase 1	29	10	0	29	29	29	0
Grange Phase 2	24	7	0	24	24	24	0
Grange Phase 3	49	18	0	49	49	49	0
Grange Phase 4	39	16	0	39	39	30	4
Grange Phase 5	27	9	0	27	27	5	4
Hawthorne Phase 1	150	36	0	150	150	105	13
Hazel Phase 1	92	25	0	92	90	90	0
Hazel Phase 2	14	4	0	14	14	13	0
Hazel Phase 3	39	9	0	39	39	4	5
Indigo Phase 1	77	21	0	77	77	77	0
Indigo Phase 2	81	22	0	81	81	81	0
Maydelle Phase 1	38	15	0	38	38	38	0
Maydelle Phase 2	36	15	0	36	36	36	0
Parkview	24	15	0	24	24	14	2
Sage Phase 1	172	36	0	172	172	167	4
Sage Phase 2	153	31	0	153	153	149	2
Sweetwater	179	38	0	179	179	57	10
Totals	2,026	516	0	2,026	2,020	1,668	88

* As of August 1, 2020.

**Excludes Lots under development, Amenity Centers, Arterial/Collector Roads, Elementary Schools and Daycare sites.

HOME BUILDING PROGRAM

Homebuilders that have contracted to buy lots within the District include: Highland Homes, Darling Homes, K. Hovnanian Homes, Shaddock Homes, Drees Homes, Lionsgate Homes, American Legend Homes, Britton Homes, M/I Homes, Newport Homes, Taylor Morrison, Tradition Homes, Trophy Signature Homes and Mainvue Homes. As of August 1, 2020, there were signed contracts with home builders for 2,020 of the 2,026 lots developed within the District. Each homebuilder is required to put up significant earnest money and agree to specific take-down schedules.

Home Builder	Subdivision	Lots Under Contract	Builder Contracted Lots Completed**	Lots Closed	Homes Occupied*
American Legend Homes	Bluestem Phase 1, Bluestem Phase 2, Graham Phase 1, Hawthorne Phase 1, Eastland	240	240	240	217
Britton Homes	Hazel Phase 1, Hazel Phase 2	53	53	53	53
Darling Homes	Indigo Phase 1, Indigo Phase 2	80	80	80	80
Drees Homes	Indigo Phase 1, Indigo Phase 2, Hazel Phase 1, Hazel Phase 2, Hazel Phase 3	168	168	144	125
Highland Homes	Maydelle Phase 1, Bluestem Phase 1, Graham Phase 1, Parkview Maydelle Phase 2, Eastland, Cypress Phase 1, Sage Phase 1 Cypress Phase 2, Sage Phase 2, Sage Phase 3	556	556	556	516
K. Hovnanian Homes	Cypress Phase 1, Cypress Phase 2, Sage Phase 1, Sage Phase 2	296	296	294	293
Lionsgate Homes	Bluestem Phase 1	62	62	62	62
Mainvue Homes	Hawthorne Phase 1	29	29	29	29
MI Homes	Brenham, Sweetwater	110	110	57	29
Newport Home Builders	Parkview	14	14	14	3
Shaddock Homes	Grange Phase 1, Grange Phase 2, Grange Phase 3, Grange Phase 4, Brenham, Grange Phase 5	236	236	200	145
Taylor Morrison	Sweetwater	71	71	71	34
Tradition Homes	Hawthorne Phase 1	50	50	50	6
Trophy Signature Homes	Sweetwater	55	55	7	-
Total		2,020	2,020	1,857	1,592

* As of August 1, 2020.

** Does not include 6 completed lots which have been set aside by the developer for model home development.

New homes within the District will be offered for sale at prices ranging from approximately the high \$200,000's to the high \$600,000's.

SETTLEMENT AGREEMENT WITH CITY

The City, LFC Land Company, LLC, LFC Land Company II, LLC, the District, and those City retail water and sewer ratepayers who are either owners of property or residents within the District (the "Petitioners") that executed and filed that certain Petition by Outside Ratepayers Appealing the Water Rates Established by the City of Celina in the Texas Public Utility Commission, Docket No. 49225 (the "Petitioner Appeal") have entered into a Settlement Agreement, effective August 26, 2020 (the "Settlement Agreement"). Such agreement resolved various disputes among the parties, including the Petitioner Appeal, a lawsuit filed by the City against the District and current and former District directors, in the 471st Judicial District Court of Collin County, Texas, Cause No. 471-02643-2020 (the "City Lawsuit") regarding District funding of the Petitioner Appeal, and alleged breach of the Development Agreement (herein defined) by the District. Pursuant to the Settlement Agreement, the City and District have entered into a Strategic Partnership Agreement (the "SPA"), the Petitioners have withdrawn with prejudice the Petitioner Appeal; the City has dismissed with prejudice the City Lawsuit; the City agrees to charge in-City water and sewer rates to the ratepayers within the District; the City, certain Developers, and the District agree to enter into a Tenth Amendment (herein defined) to the Development Agreement; and certain Developers agree to make payments to the City, reimburse the District for legal fees incurred in connection with the Petitioner Appeal and City Lawsuit, and agree to the increase in City charges to homebuilders for connection to its water and sanitary sewer system.

DEVELOPMENT AGREEMENT WITH CITY

The City, Forestar/RPG Land Company, LLC, a predecessor to the LFC Developers, and the LFC Developers executed that certain Amended and Restated Development Agreement, effective March 12, 2007 ("Original Development Agreement"), as modified by the following: (a) that certain Addendum to Amended and Restated Development Agreement, effective March 12, 2007 (the "Addendum"); (b) that certain First Amendment to Amended and Restated Development Agreement, effective March 12, 2007 ("First Amendment"); (c) that certain Second Amendment to Amended and Restated Development Agreement, effective March 12, 2007 ("Second Amendment"); (d) that certain Third Amendment to Amended and Restated Development Agreement, effective May 9, 2011 ("Third Amendment"); (e) that certain Fourth Amendment to Amended and Restated Development Agreement, effective October 12, 2012 ("Fourth Amendment"); (f) that certain Fifth Amendment to Amended and Restated Development Agreement effective May 13, 2014 ("Fifth Amendment"); (g) that certain Memorandum of Amendment to

Development Agreement, effective September 16, 2014 (the "Memorandum"); (h) that certain Sixth Amendment to Amended and Restated Development Agreement, effective September 8, 2015 (the "Sixth Amendment"); (i) that certain Seventh Amendment to Amended and Restated Development Agreement, effective November 10, 2015 (the "Seventh Amendment"); (j) that certain Eighth Amendment to Amended and Restated Development Agreement, effective January 19, 2016 (the "Eighth Amendment"); (k) that certain Ninth Amendment to Amended and Restated Development Agreement, effective December 13, 2016 (the "Ninth Amendment"); and that (l) certain Tenth Amendment to Amended and Restated Development Agreement, effective August 26, 2020 (the "Tenth Amendment") (the Original Development Agreement, the Addendum, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Memorandum, the Sixth Amendment, the Seventh Amendment, the Eighth Amendment, the Ninth Amendment, and the Tenth Amendment are hereafter collectively referred to as the "Development Agreement").

Among other things, the Development Agreement establishes land use requirements for land with the District; applies certain specific provisions of the City's Code of Ordinances pertaining to land use and development; applies the City's Water Distribution Plan, Wastewater Master Plan, and Thoroughfare Plan; establishes the process of the construction and funding for certain offsite water transmission and storage and wastewater collection master infrastructure; addresses the process for the design, approval, and construction of the internal water, sanitary sewer, and drainage facilities and roads and related improvements to serve the area within the District; provides for Developers' and District recognition and acknowledgement of the City as a retail water and sewer service provider to the area within the District; provides for the City to supply retail water and sanitary sewer service for the full development; establishes capital recovery fees to be paid by homebuilders for connections to the City's water and sanitary sewer system, and the rates for retail water and sewer service to the District rate payers; provides for the transfer to the City of ownership of and maintenance responsibility for the water and sewer infrastructure constructed by the District; establishes the terms and conditions for the issuance of bonds and addition of land by the District; establishes agreements for the timing and manner by which fire, emergency services and police are to be provided and payment of costs thereof; and establishes terms and conditions upon which the City may proceed to annex and dissolve the District.

Pursuant to the Tenth Amendment, the City, the LFC Developers, and the District have agreed that following December 31, 2027, the City may annex all of the territory within the District, in accordance with the terms of the SPA. Further, the City agrees to charge "in-city" retail water and sewer rates to District rate payers. The Development Agreement shall remain in effect until the 45th anniversary of the Original Development Agreement.

STRATEGIC PARTNERSHIP AGREEMENT WITH CITY

Pursuant to the Settlement Agreement, the City and the District entered into a Strategic Partnership Agreement, effective September 11, 2020. In the SPA the City agrees it will not annex any portion of the District on or before December 31, 2027. After such date, the City may annex the property within the District for full purposes without further procedural actions of any kind by either the City or District. Upon such full purpose annexation, the City must assume all assets and obligations of the District including the Bonds, other than the Open Space Property (herein defined) and related maintenance obligations. Further, the District will convert to a limited district (the "Limited District") in accordance with Section 43.0751(f)(6), Local Government Code, with functions limited to owning, operating, and maintaining open space, green space, trails, easements, and other areas, including landscape/hardscape within street right-of-way, in its boundaries (the "Open Space Property"). However, its powers under Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54, Texas Water Code, will be expressly limited to those necessary to effectuate its functions. The Limited District will not have the power to issue bonds. The Limited District shall exist for an initial term of 10 years and may be renewed by mutual agreement of the City and Limited District. However, the Limited District shall cease to exist and the Open Space Property and related maintenance obligations shall be assumed by the City in the event (a) the board of directors of the Limited District fails to adopt and ratify the SPA within 60 days from the date of conversion of the District to the Limited District or (b) a majority of the qualified voters of the Limited District voting in an election called for such purpose do not approve the authorization of an operation and maintenance tax to fund the Limited District at a rate not to exceed \$0.25 per \$100 of assessed valuation.

ANNEXATION

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of a municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of the ETJ depends in part on the size of a municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. Absent agreement with a neighboring municipality, when a municipality annexes additional territory, the municipality's ETJ expands automatically in conformity with such annexation. Under existing State law, since the District lies wholly within the ETJ of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various procedural actions required by Chapter 43, Local Government Code, as amended. However, pursuant to the Settlement Agreement, SPA and Development Agreement, the City has agreed that it will not annex any territory within the District for full purposes before January 1, 2028. The SPA further provides that after such date the City may annex all land within for full purposes without further procedural action of any kind by either the City or the District in accordance with Sections 43.0751 (f)(5) and 43.0751(h), local Government Code. When the District is annexed the City must assume the District's assets and obligations (including the Bonds), other than ownership and maintenance of the Open Space Property, and the District will convert to the Limited District.

Annexation of the District by the City is a policy-making matter within the discretion of the governing body of the City, and, therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if full purpose annexation of the District were to occur.

CONSOLIDATION

The District may consolidate with another district operating under Chapter 54, Texas Water Code. After the board of directors of each district has agreed on the terms and conditions of the consolidation, which may include the assumption by each district of the bonds, notes, or other obligations and voted but unissued bonds of the other consolidating district payable in whole or in part from taxes, the levy of taxes to pay for bonds, and the name of the consolidated district. Such districts may be consolidated only if the voters of each district vote in favor of the consolidation. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

COMMUNITY FACILITIES

Community facilities are available in the District and its general geographic area. Fire prevention, emergency medical services, and Police protection is provided by the City pursuant to agreements with the District. See "THE DISTRICT - Interlocal Agreements with City for Fire Protection Services and Law Enforcement Services." A majority of the land within the District is located in PSD with approximately 36 acres located within Celina Independent School District ("CISD"). Light Farms Elementary School and Boyer Elementary School are located in the District. Prosper High School is located on a tract of land outside of, but just south of the District. Reynolds Middle School is located approximately one mile south of the District.

INTERLOCAL AGREEMENTS WITH CITY FOR FIRE PROTECTION SERVICES AND LAW ENFORCEMENT SERVICES

The District has adopted a Fire Plan and entered into an Interlocal Cooperation Agreement For Fire Protection Services (the "Fire Protection Services Agreement") with the City pursuant to which the City provides fire protection and emergency medical services to the area within the District. Pursuant to the Fire Protection Services Agreement, the City has agreed to provide services to the residents and property owners within the District to the same extent and at the same level as is provided to the residents and property owners within the corporate limits of the City. The methodology established in the agreement to determine the cost of services provided by the City is intended to produce a cost to a District resident comparable to that allocated to a resident of the City. For the current year of the agreement such estimated cost is \$385 per residence. The annual amount to be paid by the District is calculated by September 1 of each year during the term of the Fire Protection Services Agreement, and paid in 10 equal installments. The initial term of the Fire Protection Services Agreement expires September 30, 2022. However, the Fire Protection Services Agreement renews automatically for additional five (5) year terms until the area within the District is annexed into the City or a party provides notice of termination to the other party. Pursuant to the Fire Plan and an election held in the District on May 6, 2017, to fund the annual payments under the Fire Protection Services Agreement, the District has established rates and charges to be collected from the District residents and builders, as well as District ad valorem taxes. For fiscal year 2021, the District has levied and assessed a contract tax (the "Contract Tax") in the amount of \$0.0945 per \$100 of assessed value for fire protection services.

The District has also entered into an Interlocal Cooperation Agreement For Law Enforcement Services (the "Law Enforcement Services Agreement") with the City pursuant to which the City provides law enforcement services to the area within the District. Pursuant to the Law Enforcement Services Agreement, the City has agreed to provide services to the residents and property owners within the District to the same extent and at the same level as is provided to the residents and property owners within the corporate limits of the City. The methodology established in the Law Enforcement Services Agreement to determine the cost of the services to be provided by the City is intended to produce a cost to a District resident comparable to that allocated to a resident of the City. For the current year of the agreement such estimated cost is \$295 per residence. The annual amount to be paid by the District is calculated by September 1 of each year during the term of the Law Enforcement Services Agreement, and paid in 10 equal installments. The initial term of the Law Enforcement Services Agreement expires September 30, 2022. However, the agreement renews automatically for additional five (5) year terms until the area within the District is annexed into the City or a party provides notice of termination to the other party. To fund the annual payments under the Law Enforcement Services Agreement, the District has established rates and charges to be collected from the District residents and builders.

MANAGEMENT

BOARD OF DIRECTORS

The District is governed by the Board, which has control over and management supervision of all affairs of the District. The Directors and officers of the District, together with their terms, are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Keller Webster	President	May 2022
Lissa Shepard	Vice President	May 2022
Andy Harvey	Secretary	May 2024
Craig Davis	Treasurer	May 2024
Bob Heinze	Assistant Secretary	May 2024

All of the directors listed above own land subject to taxation in the District. However, only Directors Shepard, Director Davis and Director Heinze live within the District. Director elections are held only in even numbered years on the first Saturday in May.

The District has no full-time employees. The District contracts with the following entities for professional services.

TAX ASSESSOR/COLLECTOR . . . Land and improvements in the District are appraised for taxation by the Collin Central Appraisal District. The District contracts with Mr. Mike Arterburn, to act as Tax Assessor/Collector for the District.

ENGINEER . . . Huitt-Zollars, Inc., Consulting Engineers, Dallas, Texas (the "Engineer"), provides consulting engineering services to the District.

AUDITOR . . . The District engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to prepare the District's audited financial statements for the year ended September 30, 2019.

BOND COUNSEL . . . Orrick, Herrington & Sutcliffe LLP, Austin, Texas, 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.

GENERAL COUNSEL . . . Crawford & Jordan, LLP, Dallas, Texas, has been engaged as "General Counsel" to the District. Such firm also provides certain legal services in association with Bond Counsel in connection with the issuance of the Bonds. A portion of the fees of General Counsel relating to the issuance of the Bonds is contingent upon the sale and delivery thereof.

DISCLOSURE COUNSEL . . . McCall, Parkhurst & Horton L.L.P., Dallas, Texas, has been engaged by the District to serve as "Disclosure Counsel" for the District. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

FINANCIAL ADVISOR . . . Hilltop Securities Inc., serves as "Financial Advisor" to the District. The fee to be paid to the Financial Advisor is contingent upon sale and delivery of the Bonds.

DEVELOPMENT CONSULTANT . . . The District has engaged Mr. Kevin Mercer to provide certain development consulting and governmental relation services to the District.

BOOKKEEPER . . . The District has engaged Denton County Fresh Water Supply District No. 7 to provide bookkeeping services to the District.

THE DEVELOPERS

ROLE OF A DEVELOPER

In general, the activities of a developer in a special 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 lots and improved tracts or commercial reserves to other developers, builders, or third parties. While a developer is required by the TCEQ in certain cases to pay a portion of the underground water distribution, wastewater collection, and storm drainage facilities, 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.

THE DEVELOPERS

Of the 1,069 acres included in the District, approximately 806 acres were initially owned by LFC Land Company, LLC ("LFC Land I"); and approximately 263 acres were owned by LFC Land Company II, LLC ("LFC Land II"), an entity related to LFC Land I. LFC Land I subsequently made several conveyances, including conveyances of land within the District to twelve wholly owned subsidiaries: 60 acres to LFC Development Company I, LLC, a Texas limited liability company ("Devco I"), 21 acres to LFC Devco Maydelle, LLC, a Texas limited liability company ("Devco Maydelle"), 41 acres to LFC BIG II, LLC, a Texas limited liability company ("Devco BIG II"), 42 acres to LFC Devco Cypress, LLC, a Texas limited liability company ("Devco Cypress"), 18 acres to LFC Devco Graham LLC, a Texas limited liability company ("Devco Graham"), 79 acres to LFC Devco HLH, LLC, a Texas limited liability company ("Devco HLH"), 34 acres to LFC Devco GM, LLC, a Texas limited liability company, ("Devco GM"), 84 acres to LFC Devco EC, LLC, a Texas limited liability company ("Devco EC"), 16 acres of LFC Devco Grange IV, LLC, a Texas limited liability company ("Devco Grange IV"), 42 acres to LFC Devco Sweetwater, LLC, Texas limited liability company ("Devco Sweetwater"), 26 acres to LFC Devco Brenham, LLC, a Texas limited liability company ("Devco Brenham"), and 18 acres to LFC Devco GH, LLC, A Texas limited liability company ("Devco GH"). LFC Land II subsequently made a conveyance of land within the District to three wholly owned subsidiaries: 36 acres to LFC Devco Sage, LLC, a Texas limited liability company ("Devco Sage"), 32 acres to LFC Devco Sage II, LLC, a Texas limited liability, company ("Devco Sage II"), and 24 acres to LFC Devco Sage III, LLC, a Texas limited liability company ("Devco Sage III"). Devco I, Devco Maydelle, Devco Big II, Devco Cypress, Devco Graham, and Devco Sage have completed the development of their land within the District and are not owed any future reimbursement. LFC Land I and LFC Land II and each of the fifteen development entities are collectively referred to as the "LFC Developers". The LFC Developers are managed by either Republic Property Group, Ltd. ("RPG"), or its affiliates. LFC Land II recently sold land to two unrelated entities for development: 105 acres to Toll Southwest, LLC, a Delaware limited liability company ("Toll Brothers") and 24 acres to Light Farms Build to Rent, LLC, a Delaware limited liability company ("BB Living"). The land owned by Toll Brothers and BB Living will be developed by RPG for the benefit of each owner. LFC Land I, LFC Land II, , Devco HLH, Devco GM, Devco EC, Devco Grange IV, Devco Brenham, Devco Sweetwater, Devco GH, Devco Sage II, Devco Sage III, Toll Brothers and BB Living collectively, may be referred to herein as the "Developers" (see "THE DEVELOPERS"). Each of such entities was formed for the sole purpose of owning and developing certain land within the District.

RPG is the development manager of each of the LFC Developers and will also be managing the development for Toll Brothers and BB Living. RPG is located in Dallas, Texas, and management activities by RPG in the District are being directed by Tony Ruggeri, Jake Wagner and Mark Kiker. RPG has developed more than 10,000 acres in North Texas over the past 30 years. Some of its other master planned projects include: Walsh---1,700 acres in Tarrant and Parker Counties, Lantana---1,800 acres in Denton County; Phillips Creek Ranch--- 900 acres in Frisco; Stonebridge Ranch---6,200 acres in McKinney; Preston Meadow---2,400 acres in Plano; and the community of Lake Forest---153.47 acres located on the former EDS corporate campus at the intersection of Hillcrest and Forest in Dallas---12.1 acres located at the Southwest corner of the Sam Rayburn Tollway and the Dallas North Tollway.

DEVELOPMENT FINANCING

LFC Land I has financed the acquisition and development of land in the District with a combination of a \$48,000,000 (decreased to \$38,000,000) revolving loan from Bank SNB National Association, which loan was refinanced with a \$75,008,603 loan from Doss, Ltd., with a maturity of December 31, 2023, and had a balance due as of August 1, 2020 of \$16,457,977, and a \$47,000,000 mezzanine loan from Doss, Ltd., which loan has a maturity of December 31, 2023, and had a balance due, as of August 1, 2020, of \$30,728,094. LFC Land II obtained an \$18,250,598 (increased to \$22,053,415) acquisition loan from Doss, Ltd. which loan has a maturity of December 27, 2023, and had a balance due, as of August 1, 2020, of \$5,348,643. Devco I obtained an acquisition loan from a third-party lender which has been paid in full. Devco Brenham obtained a development loan from Doss, Ltd. in the amount of \$5,268,985, which has a maturity date of April 20, 2021, and has a \$2,286,559 balance due as of August 1, 2020. Devco Sweetwater obtained a development loan from Doss, Ltd. in the amount of \$10,341,819, which has a maturity date of April 26, 2021, and has a \$9,417,101 balance due as of August 1, 2020. Devco GH obtained a development loan from Doss, Ltd. in the amount of \$3,741,384, which has a maturity date of April 10, 2023, and has a \$2,915,836 balance due as of August 1, 2020. Devco Sage III obtained a development loan from Doss, Ltd. in the amount of \$5,197,375, which has a maturity date of December 27, 2023, and has a \$2,309,540 balance due as of August 1, 2020. Doss, Ltd. is a partnership affiliated with the majority owner of LFC Land I and LFC Land II. According to the LFC Developers, there are currently no other development or acquisition loans secured by liens on land within the District.

ROADS AND RELATED IMPROVEMENTS AND THE WATER, WASTEWATER, AND DRAINAGE FACILITIES

REGULATION

According to the Engineer, the District's roads and improvements in aid thereof (collectively, the "Road Facilities") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such improvements, including primarily the City of Celina and Collin County. The construction of the Road Facilities was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Construction and operation of water, sanitary sewer, and storm drainage system that serves the District (collectively, the "Utility System"), as it now exists or as it may be expanded from time to time, is subject to the regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage, if any, into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of the Utility System is subject to the regulatory authority of the City, Collin County and the Texas Department of Health. The regulations and requirements of entities exercising regulatory jurisdiction over the Utility System are subject to revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the Engineer.

ROAD FACILITIES

District construction of the Road Facilities has been financed with funds advanced by the LFC Developers and proceeds of the Outstanding Road Bonds. Upon the issuance of the Bonds and reimbursement of the LFC Developer from Bond proceeds there will remain approximately \$16,940,000 for Road Facilities (as of August 1, 2020) in advances remaining to be reimbursed to the LFC Developers out of proceeds from future sales of District road bonds.

Roads within the District are constructed of reinforced concrete with curbs on lime-stabilized subgrade. Roads vary in width, but are sized to accommodate the anticipated traffic demands of full build-out of the project. Light Farms Way is the principal arterial through the project and is a 4-lane roadway in a variable width right of way averaging about 100 feet. Collector roadways vary in width from 37 feet to 45 feet and include 2 and 4 lanes in a 60 to 70-foot right of way. Remaining streets provide local interior service within the project and are usually 31 feet wide in a 50-foot right of way. Public utilities (water, wastewater, drainage) are typically located within the road right of ways.

To control erosion and provide an attractive environment to District residents, the medians and parkways of the arterial and collector roadways are landscaped and fully irrigated. Landscape features include retention of stands of native trees, use of native trees transplanted from within the project, and the addition of ornamental and shade trees, shrubs, ground covers, and grass. Hardscape features include sidewalks and an 8 foot wide concrete hike-and-bike trail along the tributaries and collector streets. Along residential neighborhoods, masonry screening walls have been constructed to shield residents from the noise and headlights of vehicles on these arterial and collector streets.

Pursuant to the Development Agreement, the District will retain ownership and operation and maintenance responsibility for the drainage facilities comprising the Utility System and Road Facilities.

WATER, WASTEWATER AND DRAINAGE FACILITIES

District construction of the Utility System has been and continues to be financed with funds advanced by the Developers and proceeds of the Outstanding Utility System Bonds. There remains approximately \$22,500,000 for Utility System Facilities in advances to be reimbursed to the LFC Developers out of proceeds from future sales of District Utility System bonds.

The District is located within a retail water certificate of convenience and necessity and a retail sewer certificate of convenience and necessity issued by the TCEQ to the City. Consequently, and as provided in the Development Agreement, the City has agreed to provide retail water and sewer service sufficient to serve the area within the District at full development. The rates to be charged to customers within the District for such services will equal the rates charged to customers of a similar classification located within the City's corporate limits.

Source of Water Supply . . . Pursuant to the Development Agreement, the City has agreed to make water supply available to serve the area within the District at times and in amounts necessary for development of Light Farms. The City's water supply is provided by Upper Trinity Regional Water District ("UTRWD"). The City is a member of UTRWD and has a take subscription currently up to 5.00 million gallons per day ("MGD"). The City obtains water from UTRWD via a 30-inch supply main into its facilities. This line is fully operational and providing potable water to the area within the District.

Water pressure within the District is controlled by a 1 million gallon elevated water storage tank. These facilities provide "Class A" fire protection to the area within the District. The water distribution system serving the District is comprised of water lines from 8 inch diameter to 18 inch diameter.

Wastewater Collection and Treatment . . . Pursuant to the Development Agreement, the City has agreed to make wastewater treatment capacity available to serve the area within the District at times and in amounts necessary for development of Light Farms. The District is served by a wastewater collection system that is comprised of 8 inch to 27 inch PVC gravity sewers. These facilities serve the various residential parcels and support facilities in the District.

Beyond the District boundaries, the wastewater flows into UTRWD facilities that include 27 and 36 inch gravity sewer lines to UTRWD's Doe Branch Regional Wastewater Treatment Facilities. The City is a member of UTRWD and has a take subscription currently up to 0.665 MGD. Upon completion of the Phase 2 of the Doe Branch expansion project, the City's subscription will increase to 1.385 MGD.

Upon its completion of construction of components of the water and wastewater facilities comprising the Utility System, the District has agreed to convey such components to the City. The City has agreed to assume ownership and operations and maintenance responsibility for the Utility System, and utilize the facilities and capacities comprising the Utility System to serve the land with the District.

Drainage Facilities . . . All drainage inlets, piping, and culverts are designed to collect and transport storm water runoff from the 100-year storm event. In addition, the District has completed construction of a series of lakes and detention ponds that detain such stormwater run-off. This provides a high degree of protection from flooding of real property and facilities within the District, as well as minimizes flooding potential of downstream offsite properties. Prior to the initiation of development, approximately 311 acres of land within the District were located within the 100 year floodplain. Upon completion of all drainage facilities currently planned by the District, it is projected that approximately 154 acres of land will remain in the 100 year floodplain. At this point in time all reclamation has been completed by the District and final re-mapping is being processed by FEMA.

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ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used by the District to reimburse certain of the LFC Developers and to pay for the cost of the acquisition of construction of roads and functionally related improvements in the aid thereof and cost of issuance of the Bonds.

SUMMARY OF COSTS

CONSTRUCTION COSTS ^(a)

1. Tributary 2 Road Improvements	\$ 355,514
2. Sage II/Eastland/Cypress II Road Improvements	938,399
3. Grange III/Maydelle II Hardscape Improvements	171,137
4. Light Farms Way Road Improvements	2,974,971
5. Brenham Road Improvements	1,100,634
6. Sweetwater Road Improvements	2,285,738
7. Engineering and Testing	1,173,959

TOTAL CONSTRUCTION COSTS **\$ 9,000,352**

NON-CONSTRUCTION COSTS

A. Bond Counsel/Legal Fees	\$ 303,375
B. Fiscal Agent Fees	190,938
C. Interest Costs	
1. Developer Interest ^(b)	712,845
D. Underwriter's Discount	149,901
E. Land	988,039
F. Bond Issuance Expenses	52,750
G. Attorney General Fee	9,500
H. Contingency	267,300

TOTAL NON-CONSTRUCTION COSTS **\$ 2,674,648**

TOTAL BOND ISSUE REQUIREMENT **\$11,675,000**

(a) The final amounts to be reimbursed to certain of the LFC Developers will be based upon an agreed upon procedures report prepared by the District auditor. In the instance that amounts may exceed actual cost, the difference comprises a surplus which may be expended for District roads or improvements in and thereof.

(b) Represents interest owed on advances that have been made on the District's behalf.

DEBT AND FINANCIAL INFORMATION

FUTURE DEBT

The District has the right to issue obligations pursuant to an election held May 10, 2008, where the resident electors authorized a total of \$416,860,000 of unlimited tax bonds, \$264,480,000 in bonds for constructing, acquiring, improving, maintaining, and operating macadamized, graveled or paved roads and turnpikes, or improvements in aid of these purposes and \$152,380,000 in bonds for water, sanitary sewer, and drainage purposes. The District is also authorized to issue \$625,290,000 for the refunding of all or any portion of bonds or refunding bonds of the District, consisting of \$396,720,000 for the purpose of refunding bonds issued for road purposes and \$228,570,000 for the purpose of refunding of bonds issued for water, sanitary sewer, and drainage bonds purposes. The Bonds are the fifth installment of bonds issued by the District for road purposes. After the issuance and sale of the Bonds, \$200,890,000 unlimited tax bonds for road purposes and \$126,670,000 in principal amount of unlimited tax utility system bonds for water, sanitary sewer, and drainage purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See "THE BONDS – Authority for Issuance." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District expects to issue from time-to-time additional bonds to finance roads and utilities in order to fully develop the District. See "THE BONDS - Issuance of Additional Debt" and "ROADS AND RELATED IMPROVEMENTS AND THE WATER, WASTEWATER, AND DRAINAGE FACILITIES." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with respect to the issuance of additional bonds, but currently must comply with formulas promulgated by the Attorney General and the TCEQ, respectively, with regard to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District. Bonds issued by the District must be approved by the Attorney General. Any bonds issued to acquire or construct water, wastewater, and drainage facilities must additionally be approved by the TCEQ.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sanitary Sewer, and Drainage Bonds	5/10/2008	\$ 152,380,000	\$ 25,710,000	\$ -	\$ 126,670,000
Water, Sanitary Sewer, and Drainage Refunding Bonds	5/10/2008	228,570,000	-	-	228,570,000
Road Bonds	5/10/2008	264,480,000	51,915,000	11,675,000	200,890,000
Road Refunding Bonds	5/10/2008	396,720,000	-	-	396,720,000
Total		<u>\$ 1,042,150,000</u>	<u>\$ 77,625,000</u>	<u>\$ 11,675,000</u>	<u>\$ 952,850,000</u>

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Net Taxable Assessed Valuation as of January 1, 2020	\$ 726,912,256 ^(a)
Estimated Assessed Valuation as of August 1, 2020 (100% of Estimated Market Value)	\$ 784,300,000 ^(b)
Direct Debt	
Outstanding Road Bonds (as of August 1, 2020)	\$ 47,390,000
Outstanding Utility System Bonds (as of August 1, 2020)	25,275,000
The Bonds	<u>11,675,000</u>
Gross Direct Debt Outstanding	\$ 84,340,000
Estimated Overlapping Debt	\$ 36,387,238 ^(c)
Ratios of Gross Direct Debt to:	
2020 Net Taxable Assessed Valuation	11.60%
Estimated Taxable Assessed Valuation as of August 1, 2020	10.75%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2020 Net Taxable Assessed Valuation	16.61%
Estimated Taxable Assessed Valuation as of August 1, 2020	15.39%
Average Annual Debt Service Requirement (2021-2045)	\$ 4,774,984
Maximum Annual Debt Service Requirement (2022)	\$ 5,514,013
Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.6915
Based upon Estimated Taxable Assessed Valuation as of August 1, 2020	\$ 0.6409
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.7985
Based upon Estimated Assessed Valuation as of August 1, 2020	\$ 0.7401
Interest and Sinking Fund Balance (Utility System) (as of August 1, 2020)	\$ 1,411,402 ^(d)
Interest and Sinking Fund Balance (Road Facilities) (as of August 1, 2020)	\$ 4,505,239 ^(d)
General Fund Balance (as of August 1, 2020)	\$ 2,440,113
Contract Tax Fund Balance (as of August 1, 2020)	\$ 919,384
2020/21 District Tax Rate (per \$100 Assessed Valuation)	
Debt Service	\$ 0.7000 ^(e)
Maintenance and Operations	0.2555
Contract Tax	<u>0.0945 ^(f)</u>
Total	\$ 1.0500
Status of Estimated Home Construction as of August 1, 2020	
Single Family Homes Completed and Occupied	1,592
Single Family Homes Completed and Unoccupied	76
Single Family Homes Under Construction	88
Developed but Vacant Lots	<u>270</u>
Total	2,026

- (a) As certified by the Appraisal District as of January 1, 2020. See "TAXING PROCEDURES." This amount includes \$6,218,338 of uncertified value, which represents the Appraisal District's estimate of the minimum amount of uncertified value that will ultimately be certified.
- (b) The estimated Taxable Assessed Valuation as of August 1, 2020, is intended to add the estimated taxable assessed value of improvements constructed after January 1, 2020 through August 1, 2020 and was provided by the Appraisal District. This estimated assessed value is provided for informational purposes only and taxes will not be levied on such estimated assessed value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
- (c) See "TAX DATA - Estimated Overlapping Debt" and "Overlapping Taxes."
- (d) Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Interest and Sinking Fund in excess of amounts necessary to pay, when due, debt service on outstanding bonds of the District. Of such balance \$1,411,402 is allocated to pay debt service on bonds issued for the purpose of financing utility system facilities, and \$4,505,239 is allocated to pay debt service on bonds issued for the purpose of financing road facilities.
- (e) All of the \$0.7000 per \$100 of taxable assessed valuation is to be used to pay debt service on the District's Outstanding Bonds and the Bonds. The District levied a tax rate of \$0.2256 per \$100 valuation to pay debt service on bonds issued to finance utility facilities, and \$0.4744 per \$100 valuation to pay debt service on bonds issued to finance road facilities.
- (f) See "THE DISTRICT – Interlocal Agreements with City for Fire Protection Services and Law Enforcement Services" and "TAX DATA – Contract Tax."

INVESTMENTS OF THE DISTRICT

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Surplus revenues, if any, of the District's general fund are not pledged to the payment of the Outstanding Bonds or the Bonds but are available for any lawful purpose, including payment of debt service on the Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. As the District does not and will not own or operate the water or wastewater facilities serving the land within the District, it is not anticipated that any significant operating revenues will be available for the payment of debt service on the Outstanding Bonds or the Bonds. The following summary of the District's governmental and proprietary funds shows net revenues in the District's general fund as a result of the levy and collection of a maintenance tax. In accordance with the TCEQ recommended procedures, such figures do not include governmental fund depreciation expense. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED SEPTEMBER 30, 2019."

GENERAL FUND	Fiscal Year Ended September 30, ⁽²⁾				
	2019	2018	2017	2016	2015
REVENUES					
Property taxes ⁽¹⁾	\$ 2,104,627	\$ 1,572,551	\$ 691,523	\$ 386,082	\$ 194,407
Building Permit Revenues	237,200	\$ 505,050	114,000	-	-
Miscellaneous Revenues	151,502	115,996	66,198	20,836	4,798
TOTAL REVENUE	\$ 2,493,329	\$ 2,193,597	\$ 871,721	\$ 406,918	\$ 199,205
EXPENDITURES					
Current:					
Professional fees	\$ 139,293	\$ 111,661	\$ 165,271	\$ 130,723	\$ 89,471
Contracted services	857,918	737,955	362,500	78,750	78,750
Other expenditures	30,254	30,018	26,360	30,957	22,030
Utilities	18,434	17,466	23,929	14,929	17,697
Repairs and Maintenance	489,902	383,713	125,936	331,227	59,394
Capital Outlay	-	-	-	-	34,400
Bond Issuance Cost	-	76,801	-	-	-
TOTAL EXPENDITURES	\$ 1,535,801	\$ 1,357,614	\$ 703,996	\$ 586,586	\$ 301,742
EXCESS REVENUES (EXPENDITURES)	\$ 957,528	\$ 835,983	\$ 167,725	\$ (179,668)	\$ (102,537)
OTHER FINANCING SOURCES					
Developer advances, net	-	-	-	285,328	142,167
EXCESS SOURCES	\$ 957,528	\$ 835,983	\$ 167,725	\$ 105,660	\$ 39,630
FUND BALANCE, BEGINNING OF YEAR	1,531,368	695,385	527,660	422,000	382,370
FUND BALANCE, END OF YEAR	\$ 2,488,896	\$ 1,531,368	\$ 695,385	\$ 527,660	\$ 422,000

(1) In fiscal year 2015, only \$0.25 of the District's \$1.05 total tax rate was a maintenance tax that was allocated to the general fund. In fiscal year 2016, only \$0.2376 of the District's \$1.05 total tax rate was a maintenance tax that allocated to the general fund. In fiscal year 2017, only \$0.24 of the District's \$1.05 total tax rate was a maintenance tax that was allocated to the general fund. In fiscal year 2018, 2019 and 2020, only \$0.2555 of the District's \$1.05 tax rate was a maintenance tax that was allotted to the general fund.

(2) Information derived from the District's audited financial statements.

DEBT SERVICE REQUIREMENTS

Year Ended 9/30	Outstanding Bonds			The Road Bonds ⁽¹⁾		Total Outstanding Debt	% of Principal Retired
	Principal	Interest	Total	Principal	Interest		
2021	\$2,420,000	\$2,496,706	\$ 4,916,706	\$ -	\$ 170,674	\$ 5,087,380	
2022	2,480,000	2,414,956	4,894,956	380,000	239,056	5,514,013	
2023	2,540,000	2,332,981	4,872,981	390,000	231,356	5,494,338	
2024	2,605,000	2,252,650	4,857,650	395,000	223,506	5,476,156	
2025	2,695,000	2,170,484	4,865,484	405,000	215,506	5,485,991	13.82%
2026	2,765,000	2,085,503	4,850,503	415,000	207,306	5,472,809	
2027	2,850,000	1,997,588	4,847,588	420,000	198,956	5,466,544	
2028	2,950,000	1,903,575	4,853,575	430,000	192,069	5,475,644	
2029	3,045,000	1,805,663	4,850,663	440,000	186,081	5,476,744	
2030	3,135,000	1,703,641	4,838,641	445,000	179,444	5,463,084	33.51%
2031	3,245,000	1,595,222	4,840,222	455,000	171,556	5,466,778	
2032	3,360,000	1,480,856	4,840,856	465,000	162,356	5,468,213	
2033	3,490,000	1,360,066	4,850,066	475,000	152,956	5,478,022	
2034	3,620,000	1,232,706	4,852,706	485,000	143,356	5,481,063	
2035	3,750,000	1,099,131	4,849,131	495,000	133,556	5,477,688	56.70%
2036	3,900,000	957,497	4,857,497	505,000	123,241	5,485,738	
2037	4,050,000	807,594	4,857,594	515,000	112,081	5,484,675	
2038	4,200,000	651,206	4,851,206	525,000	100,381	5,476,588	
2039	4,365,000	487,919	4,852,919	535,000	88,456	5,476,375	
2040	3,685,000	335,603	4,020,603	550,000	76,250	4,646,853	84.59%
2041	3,115,000	209,863	3,324,863	560,000	63,413	3,948,275	
2042	2,310,000	112,331	2,422,331	575,000	49,934	3,047,266	
2043	1,485,000	44,925	1,529,925	590,000	36,100	2,156,025	
2044	605,000	9,075	614,075	605,000	21,909	1,240,984	
2045	-	-	-	620,000	7,363	627,363	100.00%
	<u>\$ 72,665,000</u>	<u>\$ 31,547,741</u>	<u>\$ 104,212,741</u>	<u>\$ 11,675,000</u>	<u>\$ 3,486,865</u>	<u>\$ 119,374,605</u>	

(1) Average life of the issue – 13.699 years. Interest on the Bonds has been calculated at the rates stated on page 2 hereof.

Average Annual Debt Service Requirement (2021-2045)	\$ 4,774,984
Maximum Annual Debt Service Requirement (2022)	\$ 5,514,013

TAX DATA

AUTHORIZED TAXES

Debt Service Tax . . . The Board covenants in the Bond Order and in each of the orders authorizing the issuance of the Outstanding Bonds to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. For the fiscal year ending September 30, 2021, the District has levied a debt service tax rate of \$0.70 per \$100 valuation. See "Historical Tax Collections" and "Tax Roll Information" below, "TAXING PROCEDURES," and "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Maintenance Tax . . . The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 10, 2008, voters in the District authorized the Board to levy such a maintenance tax at an unlimited rate and amount. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional debt service or contract tax for additional bonds which may be issued in the future. The District has been levying a maintenance tax every year since 2012. For the fiscal year ended September 30, 2021, the District has levied a maintenance tax in the amount of \$0.2555 per \$100 assessed valuation. See "Historical Tax Collections" below.

CONTRACT TAX

The Board has the statutory authority to levy and collect an annual ad valorem tax for fire-fighting purposes, if such a tax is authorized by a vote of the District's electors. The TCEQ adopted an order approving the Fire Plan, and pursuant to an election held in the District on May 6, 2017, the District electors approved the Fire Plan and authorized the Board to levy a tax at an unlimited amount to fund the annual payments under the Fire Protection Services Agreement with the City. For the fiscal year end September 30, 2021, the District levied a contract tax rate of \$0.0945 per \$100 valuation for fire protection services

TAX EXEMPTIONS

Except for constitutionally required exemptions, the District has not granted any tax exemptions for property located within the District. See "TAXING PROCEDURES."

HISTORICAL TAX COLLECTIONS

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Fiscal Year End	Net Certified	Total Tax Rate	Distribution		Contract Tax	Tax Levy ⁽²⁾	% of Total Tax Collections to Tax Levy
	Taxable Assessed Valuation ⁽¹⁾		General	Interest and			
			Fund	Sinking Fund			
2017	\$ 283,994,542	\$ 1.0500	\$ 0.2400	\$ 0.8100	\$ -	\$ 2,972,267	101.79%
2018	451,959,496	1.0500	0.2555	0.7000	0.0945	4,733,332	99.99%
2019	553,293,547	1.0500	0.2555	0.7000	0.0945	5,962,926	99.48%
2020	662,641,801	1.0500	0.2555	0.7000	0.0945	6,888,162	99.57% ⁽³⁾
2021	726,912,256	1.0500	0.2555	0.7000	0.0945	7,556,253 ⁽⁴⁾	N/A

(1) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross assessed value.

(2) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

(3) Collections for part year only, through August 1, 2020.

(4) Calculated.

TAX ROLL INFORMATION

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate for the subsequent fiscal year (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the certified net taxable assessed valuations.

Category	Taxable Appraised Value for Fiscal Year Ending					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 644,442,105	86.94%	\$ 571,313,037	85.20%	\$ 414,019,958	73.91%
Real, Vacant Lots Tracts	61,775,179	8.33%	57,584,525	8.59%	7,745,495	1.38%
Real, Acreage (Land Only)	23,819,923	3.21%	37,025,331	5.52%	37,420,030	6.68%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%	-	0.00%
Real, Commercial	3,328,620	0.45%	2,913,684	0.43%	2,533,822	0.45%
Utilities	2,046	0.00%	-	0.00%	-	0.00%
Tangible Personal, Commercial	1,899,465	0.26%	1,641,091	0.24%	1,762,743	0.31%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%	-	0.00%
Real, Inventory	5,955,136	0.80%	81,081	0.01%	96,670,558	17.26%
Total Assessed Value	\$ 741,222,474	100.00%	\$ 670,558,749	100.00%	\$ 560,152,606	100.00%
Less: Total Reductions	(14,310,218)		(7,916,948)		(6,859,059)	
Taxable Assessed Value	<u>\$ 726,912,256</u>		<u>\$ 662,641,801</u>		<u>\$ 553,293,547</u>	

Category	Taxable Appraised Value for Fiscal Year Ending			
	2018		2017	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 313,939,270	68.97%	\$ 167,927,316	58.90%
Real, Vacant Lots Tracts	40,175,300	8.83%	13,158,550	4.62%
Real, Acreage (Land Only)	42,115,071	9.25%	64,205,808	22.52%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%
Real, Commercial and Industrial	2,193,876	0.48%	163,822	0.06%
Tangible Personal, Business	592,015	0.13%	436,711	0.15%
Tangible Personal, Mobile Homes	-	0.00%	-	0.00%
Real, Inventory	56,187,713	12.34%	39,201,960	13.75%
Total Assessed Value	\$ 455,203,245	100.00%	\$ 285,094,167	100.00%
Less: Total Reductions	(3,243,749)		(1,099,625)	
Taxable Assessed Value	<u>\$ 451,959,496</u>		<u>\$ 283,994,542</u>	

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SIGNIFICANT TAXPAYERS

The following table represents the significant taxpayers, the type of property, the taxable assessed value of such property, and such property's appraised value as a percentage of 2020 Net Taxable Assessed Valuation of \$726,912,256. See "INVESTMENT CONSIDERATIONS — Factors Affecting Taxable Values and Tax Payments – Dependence on Significant Taxpayers."

Name of Taxpayer	Nature of Property	2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
LFC Land Company LLC ⁽¹⁾	Real Estate/Development	\$ 22,521,771	3.10%
LFC Land Company II LLC ⁽¹⁾	Real Estate/Development	13,098,788	1.80%
LFC DEVCO Sweetwater LLC ⁽¹⁾	Real Estate/Development	8,594,929	1.18%
LFC DEVCO GH LLC ⁽¹⁾	Real Estate/Development	4,967,250	0.68%
LFC DEVCO SAGE III LLC ⁽¹⁾	Real Estate/Development	4,725,816	0.65%
Shaddock Homes LTD	Real Estate	3,890,484	0.54%
Mainvue TX LLC	Real Estate	3,283,500	0.45%
Newport Homebuilders LTD	Real Estate	3,093,242	0.43%
Taylor Morrison of Texas Inc.	Real Estate	2,783,362	0.38%
American Legend Homes LLC	Real Estate	2,654,759	0.37%
	Total	\$ 69,613,901	9.58%

Note: As provided by Collin Central Appraisal District.

(1) Related Party to the LFC Developers.

TAX ADEQUACY FOR DEBT SERVICE ⁽¹⁾

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 certified net taxable assessed valuation (\$726,912,256) and the estimated taxable assessed valuation as of August 1, 2020 \$784,300,000, no use of debt service funds on hand, and the tax rates necessary to pay the District's average annual debt service requirements on the District's Outstanding Bonds and the Bonds. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Ratio of Gross Direct Debt and Estimated Overlapping Debt to	
2020 Net Taxable Assessed Valuation	16.61% ⁽¹⁾
Estimated Taxable Assessed Valuation as of August 1, 2020	15.39% ⁽¹⁾
Average Annual Debt Service Requirement (2021-2045)	\$ 4,774,984 ⁽¹⁾
Maximum Annual Debt Service Requirement (2022)	\$ 5,514,013 ⁽¹⁾
Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.6915 ⁽¹⁾
Based upon Estimated Taxable Assessed Valuation as of August 1, 2020	\$ 0.6409 ⁽¹⁾
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95.00% Collection Rate	
Based upon 2020 Net Taxable Assessed Valuation (100% of Market Value)	\$ 0.7985 ⁽¹⁾
Based upon Estimated Assessed Valuation as of August 1, 2020	\$ 0.7401 ⁽¹⁾

(1) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which property in the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes ("Tax Debt") are based upon data obtained from individual jurisdictions or the "Texas Municipal Reports" compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional Tax Debt since the date listed and may have plans to incur significant amounts of additional Tax Debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance, and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance, and/or general revenue purposes is not included in these figures. The District has no control over the issuance of Tax Debt or tax levies of any such entities.

Taxing Jurisdiction	2020	Total Debt	Estimated % Applicable	District's Overlapping Debt as of 8/1/2020
	Net Certified Taxable Assessed Value			
The District	\$ 726,912,256	\$ 84,340,000 ⁽¹⁾	100.00%	\$ 84,340,000
Collin County	157,051,906,189	487,405,000	0.05%	243,703
Collin County Community College District	160,037,947,366	542,110,000	0.05%	271,055
Prosper Independent School District	10,363,533,828	874,953,637	4.07%	35,610,613
Celina Independent School District	1,628,550,847	174,578,346	0.15%	261,868
Total Direct and Overlapping Tax Debt				<u>\$ 120,727,238</u>

Ratio of Direct and Overlapping Tax Debt to 2020 Taxable Assessed Valuation 16.61%

(1) Includes the Bonds.

OVERLAPPING TAXES

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District for the fiscal year ended 2021 by entities other than the District, including the tax rate of PISD that covers the 1,033 acres located within the District that lie within PISD and the tax rate of CISD for the 36 acres located within the District that lie within CISD, plus the District's debt rate of \$0.7000 per \$100 of Assessed Valuation and maintenance rate of \$0.2555 per \$100 of Assessed Valuation and contract tax rate of \$0.0945 per \$100 of Assessed Valuation. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "TAX DATA – Estimated Overlapping Debt"), 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

	Fiscal Year End 2021 Tax Rate per \$100 Assessed Valuation ⁽¹⁾	Fiscal Year End 2021 Tax Rate per \$100 Assessed Valuation ⁽²⁾
Collin County	\$ 0.17253	\$ 0.17253
Collin County Community College District	0.08122	0.08122
Prosper Independent School District	-	1.49270
Celina Independent School District	1.48320	-
Total Overlapping Tax Rate	<u>\$ 1.73695</u>	<u>\$ 1.74645</u>
 The District	 <u>1.05000</u>	 <u>1.05000</u>
Total Tax Rate	\$ 2.78695	\$ 2.79645

(1) Includes only CISD. The school districts each serve a separate part of the District and do not overlap one another.

(2) Includes only PISD. The school districts each serve a separate part of the District and do not overlap one another.

TAXING PROCEDURES

AUTHORITY TO LEVY TAXES

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS–Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy, assess, and collect such a tax from year-to-year as described more fully herein under "THE BONDS–Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District, to pay obligations under certain contracts, and for fire-fighting purposes. See "TAX DATA – Authorized Taxes – Debt Service Tax" - and " – Maintenance Tax" and "Contract Tax."

VALUATION OF PROPERTY FOR TAXATION

The Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Appraisal District. Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "TAXING PROCEDURES – District and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) a general residential homestead exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional special homestead exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The District has never granted a general residential homestead exemption; however, for the 2020 tax year the District granted an exemption in the amount of \$10,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled.

PERSONAL PROPERTY

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. The District has taken no action to allow taxation of Goods-in-Transit, and accordingly, the exemption is available within the District.

OTHER EXEMPT PROPERTY

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The District has not entered into any tax abatement agreements and Collin County has not designated any of the area within the District as a reinvestment zone.

DISTRICT AND TAXPAYER REMEDIES

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE

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

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

Developed Districts . . . Developed Districts that adopt a total tax rate in excess of 1.035 times the amount of the total tax rate imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, in the district subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Other Districts . . . Districts that do not meet the classification of a Special Taxing Unit 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, in the district 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District . . . A determination as to a district's status as a Special Taxing Unit, Developed District or Other District will be made by the Board on an annual basis, at the time a district sets its tax rate. For purposes of setting its 2020 tax rate, the District was classified as "Other Districts". The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferred or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District has rejected such provisions and does not permit split payments nor provide discounts for early payments.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

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

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

BOND INSURANCE AND MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE". Moody's Investors Services Inc. has assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center, at 250 Greenwich Street, New York, NY 10007 or S&P, 55 Water Street, New York, NY 10041.

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody's. The foregoing ratings express only the view of S&P and Moody's 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 the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody's, if, in their respective judgements, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products 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 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 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 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 "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (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 Bonds, and the issuer and underwriter assume no responsibility for their content.

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

BOND INSURANCE RISK FACTORS

BOND INSURANCE RISK FACTORS . . . If municipal bond insurance is purchased for the Bonds, in the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim against the insurer (the "Insurer") of the municipal bond guaranty insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Remedies in Event of Default"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the District. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc. and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

LEGAL MATTERS

LEGAL PROCEEDINGS

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State payable from the proceeds of an annual ad valorem tax levied by the District, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect and addressing the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheading "Book-Entry-Only System," "Use of Certain Terms in other Sections of this Official Statement," and the final paragraph under "Issuance of Additional Debt"), "MANAGEMENT – Bond Counsel", "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "Compliance with Prior Undertaking") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. General Counsel has reviewed the information under "THE DISTRICT – "General," " - Annexation," "Consolidation" " - Development Agreement with City", "- Settlement Agreement with the City" "- Strategic Partnership Agreement with the City", and " - Interlocal Agreements with the City for Fire Protection Services and Law Enforcement Services," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel and General Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's or General Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Orrick, Herrington & Sutcliffe LLP, Austin, Texas, serves as Bond Counsel to the District. Crawford & Jordan LLP, Dallas, Texas serves as General Counsel to the District. McCall, Parkhurst, Horton, L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The legal fees paid to Bond Counsel and for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. General Counsel will provide certain services in association with Bond Counsel in connection with the issuance of the Bonds. The fees paid to General Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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 no arbitrage certificate may arise out of the transaction.

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 from that set forth or contemplated in the Official Statement as amended or supplemented through the date of sale.

NO-LITIGATION CERTIFICATE

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature of which the District has notice is pending 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 levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of the Bonds, in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds, or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

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

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

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

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

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

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 Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District, and 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 except as described below under "Certification of Official Statement." 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.

FINANCIAL ADVISOR

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

CONSULTANTS

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and significant taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Collin Central Appraisal District. Mr. Mike Arterburn has provided information in the Official Statement regarding District tax collections and is included herein in reliance upon the authority of such individual 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 facilities and, in particular that information included in the sections entitled "THE DISTRICT," and "ROADS AND RELATED IMPROVEMENTS AND THE WATER, WASTEWATER, AND DRAINAGE FACILITIES " has been provided by Huit-Zollars, Inc., Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's audited financial statements for the year ended September 30, 2019, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2019 financial statements.

UPDATING THE OFFICIAL STATEMENT

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

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement, and amendment thereto pertaining to the District and its affairs contained herein, to its knowledge, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to

make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants, and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the 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 events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available at no charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS

The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DEBT AND FINANCIAL INFORMATION", "TAX DATA," (except for "Estimated Overlapping Debt" and "Overlapping Taxes") and in Appendix A (the Audit). The District will update and provide this information within six months after the end of each of its fiscal years.

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

The District's fiscal year ends on September 30. Therefore, the District must provide updated information by March 31 in each year thereafter, 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 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 an 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.

Neither the Bonds nor the Bond Order makes any provision for credit enhancement, unless a municipal bond insurance policy is obtained for credit enhancement. The District will notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data or to provide notice of an event described above.

AVAILABILITY OF INFORMATION FROM MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge through EMMA at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement. No default by the District with respect to its continuing disclosure agreement shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws. The District's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

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 a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason 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

During the last 5 years, the District believes it has complied in all material respects with its prior continuing disclosure agreements made by it in accordance with 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.

KELLER WEBSTER

President, Board of Directors
Collin County Municipal Utility District No. 1

ATTEST:

ANDY HARVEY

Secretary, Board of Directors
Collin County Municipal Utility District No. 1

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DISTRICT DEVELOPED PHASES MAP

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LIGHT FARMS

ESTABLISHED 2012



FUTURE DALLAS NORTH TOLLWAY

Sweetwater

Grange

Graham

Brenham

Bluestem

Indigo

AMENITY CENTER

Eastland

WATER TOWER
LIGHT FARMS WAY

Maydelle

Hazel

Parkview

Hawthorne

Cypress

Sage

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PHOTOGRAPHS OF IMPROVEMENTS WITHIN THE DISTRICT

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LIGHT FARMS



LIGHT FARMS
ESTABLISHED 2012

Product



LIGHT FARMS
ESTABLISHED 2012

Amenities



LIGHT FARMS
ESTABLISHED 2012

Lifestyle





LIGHT FARMS
ESTABLISHED 2012

Parks +
Green Space



LIGHT FARMS
ESTABLISHED 2012

CSA



APPENDIX A

Financial Statement of the District for the Year Ended September 30, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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(713) 462-0341
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E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Collin County Municipal Utility
District No. 1
Collin County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Collin County Municipal Utility District No. 1 (the "District"), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the assessment of the risks 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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 18, 2019

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Management's discussion and analysis of Collin County Municipal Utility District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property taxes, contract/fire taxes, developer advances and operating expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$10,523,543 as of September 30, 2019. A portion of the District's net position reflects its net investment in capital assets (roads, drainage facilities, landscape/hardscape, and intangible assets less any debt used to acquire those assets that is still outstanding.) A comparative analysis of government-wide changes in the Statement of Net Position is presented below:

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 6,445,144	\$ 4,556,055	\$ 1,889,089
Capital and Intangible Assets (Net of Accumulated Depreciation and Amortization)	68,695,724	68,705,162	(9,438)
Total Assets	\$ 75,140,868	\$ 73,261,217	\$ 1,879,651
Due to Developer	\$ 21,513,351	\$ 31,200,276	\$ 9,686,925
Bonds Payable	63,789,572	50,459,008	(13,330,564)
Other Liabilities	361,488	374,297	12,809
Total Liabilities	\$ 85,664,411	\$ 82,033,581	\$ (3,630,830)
Net Position:			
Net Investment in Capital Assets	\$ (15,177,383)	\$ (11,506,763)	\$ (3,670,620)
Restricted	3,124,414	2,549,519	574,895
Unrestricted	1,529,426	184,880	1,344,546
Total Net Position	\$ (10,523,543)	\$ (8,772,364)	\$ (1,751,179)

The following table provides a summary of the District's operations for the years ended September 30, 2019 and September 30, 2018. The District's net position decreased by \$1,751,179.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 6,449,851	\$ 4,725,698	\$ 1,724,153
Other Revenues	471,829	679,330	(207,501)
Total Revenues	\$ 6,921,680	\$ 5,405,028	\$ 1,516,652
Expenses for Services	8,672,859	8,200,990	(471,869)
Change in Net Position	\$ (1,751,179)	\$ (2,795,962)	\$ 1,044,783
Net Position, Beginning of Year	(8,772,364)	(5,976,402)	(2,795,962)
Net Position, End of Year	\$ (10,523,543)	\$ (8,772,364)	\$ (1,751,179)

**COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2019, were \$6,315,954, an increase of \$1,844,409 from the prior year.

The General Fund fund balance increased by \$957,528, primarily due to tax, permit and miscellaneous revenues which exceeded current year operating expenditures.

The Debt Service Fund fund balance increased by \$528,538, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$358,343. The District sold its Series 2018 Utility Bonds and used the proceeds to reimburse its developers.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues exceeded budgeted revenues by \$251,717, primarily due to higher than anticipated property tax, and miscellaneous revenues, which were offset by lower than anticipated permit revenues. Actual expenditures were \$516,579 less than budgeted expenditures, primarily due to lower than anticipated contracted services, utilities and maintenance/repairs.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of September 30, 2019, total \$53,307,044 (net of accumulated depreciation) and include roads, landscape and hardscape improvements, and drainage facilities. Construction in progress relates to the construction of improvements to County Road 51, Phase 1.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,450,783	\$ 3,450,783	\$
Construction in Progress	67,654	67,654	
Capital Assets, Net of Accumulated Depreciation:			
Paving - Road Ways	36,235,244	37,132,219	(896,975)
Landscape/Hardscape	5,358,750	6,084,781	(726,031)
Drainage System	8,194,613	7,248,433	946,180
Total Net Capital Assets	<u>\$ 53,307,044</u>	<u>\$ 53,983,870</u>	<u>\$ (676,826)</u>

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Certain infrastructure constructed by developers for the purposes of providing water service and wastewater service to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as intangible assets and amortized over a period of 45 years. Intangible assets have a September 30, 2019, unamortized balance of \$15,388,680 (see Note 6).

LONG-TERM DEBT

As of September 30, 2019, the District had total bond debt payable of \$63,905,000. The changes in the debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Bond Debt Payable, October 1, 2018	\$ 50,555,000
Add: Bond Sale	14,915,000
Less: Bond Principal Paid	<u>1,565,000</u>
Bond Debt Payable, September 30, 2019	<u>\$ 63,905,000</u>

The District's bonds carry an underlying rating of "A3" by Moody's. The Series 2016 road bonds, Series 2017 road bonds and Series 2018 utility bonds carry insured ratings of "AA/A2" by virtue of bond insurance issued by Assured Guaranty Municipal. The ratings reflect changes, if any, through year-end.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Collin County Municipal Utility District No. 1, c/o Crawford & Jordan LLP, 3100 McKinnon, Suite 1100, Dallas, TX, 75201.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 1,621,152	\$ 1,870,116
Investments	869,925	1,535,160
Receivables:		
Property Taxes	15,311	30,623
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	46,272	
Land		
Construction in Progress		
Intangible Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 2,552,660</u>	<u>\$ 3,435,899</u>
LIABILITIES		
Accounts Payable	\$ 48,453	\$ 26,308
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		6,945
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 48,453</u>	<u>\$ 33,253</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 15,311</u>	<u>\$ 30,623</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		3,372,023
Committed for Construction	100,000	
Unassigned	<u>2,388,896</u>	
TOTAL FUND BALANCES	<u>\$ 2,488,896</u>	<u>\$ 3,372,023</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,552,660</u>	<u>\$ 3,435,899</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 494,412	\$ 3,985,680 2,405,085	\$	\$ 3,985,680 2,405,085
	45,934		45,934
		8,445	8,445
	46,272	(46,272)	
		3,450,783	3,450,783
		67,654	67,654
		15,388,680	15,388,680
		49,788,607	49,788,607
<u>\$ 494,412</u>	<u>\$ 6,482,971</u>	<u>\$ 68,657,897</u>	<u>\$ 75,140,868</u>
\$ 50	\$ 74,811	\$	\$ 74,811
		286,677	286,677
		21,513,351	21,513,351
39,327	46,272	(46,272)	
		2,035,000	2,035,000
		61,754,572	61,754,572
<u>\$ 39,377</u>	<u>\$ 121,083</u>	<u>\$ 85,543,328</u>	<u>\$ 85,664,411</u>
<u>\$ -0-</u>	<u>\$ 45,934</u>	<u>\$ (45,934)</u>	<u>\$ -0-</u>
\$ 455,035	\$ 455,035	\$ (455,035)	\$
	3,372,023	(3,372,023)	
	100,000	(100,000)	
	2,388,896	(2,388,896)	
<u>\$ 455,035</u>	<u>\$ 6,315,954</u>	<u>\$ (6,315,954)</u>	<u>\$ -0-</u>
<u>\$ 494,412</u>	<u>\$ 6,482,971</u>		
		\$ (15,177,383)	\$ (15,177,383)
		3,124,414	3,124,414
		1,529,426	1,529,426
		<u>\$ (10,523,543)</u>	<u>\$ (10,523,543)</u>

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

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$	6,315,954
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, capital assets, and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		68,695,724
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Deferred inflows of resources related to property tax revenues and penalty and interest on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		54,379
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of the following:

Accrued Interest Payable	\$ (286,677)	
Due to Developers	(21,513,351)	
Bonds Payable	<u>(63,789,572)</u>	<u>(85,589,600)</u>

Total Net Position - Governmental Activities	\$	<u><u>(10,523,543)</u></u>
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The accompanying notes to the financial
statements are an integral part of this report.

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COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 2,104,627	\$ 4,311,844
Penalty and Interest		39,272
Builder Permit Revenues	237,200	
Investment and Miscellaneous Revenues	<u>151,502</u>	<u>35,410</u>
TOTAL REVENUES	<u>\$ 2,493,329</u>	<u>\$ 4,386,526</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 139,293	\$ 9,904
Contracted Services	857,918	60,122
Utilities	18,434	
Repairs and Maintenance	489,902	
Amortization and Depreciation		
Other	28,162	6,947
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Principal		1,565,000
Bond Interest		2,216,015
Bond Issuance Costs	<u>2,092</u>	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,535,801</u>	<u>\$ 3,857,988</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 957,528</u>	<u>\$ 528,538</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discount		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 957,528	\$ 528,538
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2018	<u>1,531,368</u>	<u>2,843,485</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2019	<u><u>\$ 2,488,896</u></u>	<u><u>\$ 3,372,023</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 6,416,471	\$ 33,380	\$ 6,449,851
	39,272	8,445	47,717
	237,200		237,200
	186,912		186,912
<u>\$ - 0 -</u>	<u>\$ 6,879,855</u>	<u>\$ 41,825</u>	<u>\$ 6,921,680</u>
\$	\$ 149,197	\$ 1,080,317	\$ 1,229,514
	918,040		918,040
	18,434		18,434
	489,902		489,902
		2,524,340	2,524,340
139	35,248		35,248
208,978	208,978		208,978
13,282,144	13,282,144	(13,282,144)	
	1,565,000	(1,565,000)	
	2,216,015	(10,539)	2,205,476
<u>1,040,835</u>	<u>1,042,927</u>		<u>1,042,927</u>
<u>\$ 14,532,096</u>	<u>\$ 19,925,885</u>	<u>\$ (11,253,026)</u>	<u>\$ 8,672,859</u>
<u>\$ (14,532,096)</u>	<u>\$ (13,046,030)</u>	<u>\$ 11,294,851</u>	<u>\$ (1,751,179)</u>
\$ 14,915,000	\$ 14,915,000	\$ (14,915,000)	\$
(24,561)	(24,561)	24,561	
<u>\$ 14,890,439</u>	<u>\$ 14,890,439</u>	<u>\$ (14,890,439)</u>	<u>\$ -0-</u>
\$ 358,343	\$ 1,844,409	\$ (1,844,409)	\$
		(1,751,179)	(1,751,179)
<u>96,692</u>	<u>4,471,545</u>	<u>(13,243,909)</u>	<u>(8,772,364)</u>
<u>\$ 455,035</u>	<u>\$ 6,315,954</u>	<u>\$ (16,839,497)</u>	<u>\$ (10,523,543)</u>

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

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Governmental Funds	\$ 1,844,409
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	33,380
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	8,445
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Governmental funds do not account for amortization and depreciation. However, in the Statement of Net Position, capital assets and intangible assets are depreciated and amortized and an expense is recorded in the Statement of Activities.	(2,524,340)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	12,201,827
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Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	24,561
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,565,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	10,539
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(14,915,000)
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Change in Net Position - Governmental Activities	\$ <u>(1,751,179)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. CREATION OF DISTRICT

Collin County Municipal Utility District No. 1 (the "District") was created pursuant to an Order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), dated February 24, 2005. Creation of the District was confirmed by a majority of the duly qualified resident voters of the District at an election held on May 10, 2008, within the District. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. Pursuant to Chapter 8164, Special District Local Laws Code, effective June 15, 2007, the District was authorized: to construct, acquire, improve, maintain, or operate macadamized, graveled, or paved roads or turnpikes, or improvements in aid thereof; construct or acquire and convey to a political subdivision a water supply or treatment system, a water distribution system, or a sanitary sewer collection or treatment system; and to divide pursuant to Sections 51.748 through 51.753, Texas Water Code. At its creation, the District included approximately 514 acres of land. As a result of a series of additions and exclusions of land, as of September 30, 2019, the District contained approximately 1,069 acres of land.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for property taxes, contract/fire taxes, developer advances and operating expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2019, the General Fund booked a receivable from the Capital Projects Fund for \$39,327 to reverse a transfer made during a prior year and for costs associated with bond sales. The Debt Service Fund owed the General Fund \$6,945 for maintenance tax collections and advances.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets

Capital assets are reported in the government-wide Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Roads	45
Drainage System	45
Landscape/Hardscape	10

Intangible assets are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to other entities for ownership and maintenance and amortized over the term of the applicable service contract.

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed \$100,000 of its General Fund fund balance for the construction and installation of crossing signal equipment at Cypress Creek Way roadway.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT

	<u>Series 2014 Road</u>	<u>Series 2015 Road</u>	<u>Series 2016 Road</u>
Amounts Outstanding – September 30, 2019	\$ 10,830,000	\$ 10,035,000	\$ 14,040,000
Interest Rates	3.00% - 4.375%	3.00% - 4.25%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2039	February 15, 2020/2040	February 15, 2020/2041
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	February 15, 2022 *	February 15, 2023 *	February 15, 2024 *
	<u>Series 2017 Road</u>	<u>Series 2018 Utility</u>	
Amounts Outstanding – September 30, 2019	\$ 14,085,000	\$ 14,915,000	
Interest Rates	2.00% - 3.375%	3.00% - 4.00%	
Maturity Dates – Serially Beginning/Ending	February 15, 2020/2042	February 15, 2020/2043	
Interest Payment Dates	February 15/ August 15	February 15/ August 15	
Callable Dates	February 15, 2024 *	February 15, 2025 *	

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2014 Road Bonds maturing on February 15, 2029 and February 15, 2039, are subject to mandatory sinking fund redemption beginning February 15, 2027 and February 15, 2036, respectively. Series 2015 Road Bonds maturing on February 15, 2032, 2034, 2036 and 2040 are subject to mandatory sinking fund redemption beginning February 15, 2030, 2033, 2035 and 2037, respectively. Series 2016 Road Bonds maturing on February 15, 2035, 2038 and 2041 are subject to mandatory sinking fund redemption beginning February 15, 2033, 2036 and 2039, respectively. Series 2017 Road Bonds maturing on February 15, 2042 are subject to mandatory sinking fund redemption beginning on February 15, 2039. Series 2018 Utility Bonds maturing on February 15, 2040 and February 15, 2043 are subject to mandatory sinking redemption beginning on February 15, 2039 and February 15, 2041.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2019:

	October 1, 2018	Additions	Retirements	September 30, 2019
Bonds Payable	\$ 50,555,000	\$ 14,915,000	\$ 1,565,000	\$ 63,905,000
Unamortized Discounts	(95,992)	(24,561)	(5,125)	(115,428)
Bonds Payable, Net	<u>\$ 50,459,008</u>	<u>\$ 14,890,439</u>	<u>\$ 1,559,875</u>	<u>\$ 63,789,572</u>
			Amount Due Within One Year	\$ 2,035,000
			Amount Due After One Year	61,754,572
			Bonds Payable, Net	<u>\$ 63,789,572</u>

As of September 30, 2019, the debt service requirements on the bonds were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 2,035,000	\$ 2,262,893	\$ 4,297,893
2021	2,085,000	2,198,694	4,283,694
2022	2,135,000	2,130,543	4,265,543
2023	2,190,000	2,060,718	4,250,718
2024	2,245,000	1,991,036	4,236,036
2025-2029	12,375,000	8,821,777	21,196,777
2030-2034	14,690,000	6,480,868	21,170,868
2035-2039	17,800,000	3,405,405	21,205,405
2040-2043	8,350,000	492,946	8,842,946
	<u>\$ 63,905,000</u>	<u>\$ 29,844,880</u>	<u>\$ 93,749,880</u>

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. At September 30, 2019, the District had authorized but unissued bonds in the amount of \$137,465,000 for utility facilities, \$212,565,000 for road facilities and \$625,290,000 for refunding purposes.

For the year ended September 30, 2019, the District levied an ad valorem debt service tax rate of \$0.70 per \$100 of assessed valuation, which resulted in a tax levy of \$3,975,235 on the adjusted taxable valuation of \$567,890,691 for the 2018 tax year. The bond orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

The District's tax calendar is as follows: levy date of October 1, or as soon thereafter as practicable; lien date of January 1; due date of no later than January 31; and delinquent date of February 1, at which time the taxpayer is liable for penalty and interest.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

The bond resolution states that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,985,680 and the bank balance was \$4,092,267. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2019, as listed below:

	Cash
GENERAL FUND	\$ 1,621,152
DEBT SERVICE FUND	1,870,116
CAPITAL PROJECTS FUND	494,412
TOTAL DEPOSITS	<u>\$ 3,985,680</u>

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in LOGIC, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. FirstSouthwest and JPMorgan Chase manage the daily operations of the pool under a contract with the Comptroller. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

As of September 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	\$ 869,925	\$ 869,925
<u>DEBT SERVICE FUND</u>		
LOGIC	<u>1,535,160</u>	<u>1,535,160</u>
TOTAL INVESTMENTS	<u>\$2,405,085</u>	<u>\$ 2,405,085</u>

Credit risk is the risk that the issuer of other counterparty to an investment will not fulfill its obligations. As of September 30, 2019, the District's investment in LOGIC was rated AAA by Standard and Poor's.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Restrictions

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

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital Asset activity for the year ended September 30, 2019 is as follows:

	October 1, 2018	Increases	Decreases	September 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,450,783	\$	\$	\$ 3,450,783
Construction in Progress	<u>67,654</u>	<u></u>	<u></u>	<u>67,654</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,518,437</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 3,518,437</u>
Capital Assets Subject to Depreciation				
Paving - Road Ways	\$ 40,188,908	\$	\$	\$ 40,188,908
Landscape/Hardscape	7,591,216			7,591,216
Drainage System	<u>7,840,948</u>	<u>1,145,887</u>	<u></u>	<u>8,986,835</u>
Total Capital Assets Subject to Depreciation	<u>\$ 55,621,072</u>	<u>\$ 1,145,887</u>	<u>\$ - 0 -</u>	<u>\$ 56,766,959</u>
Accumulated Depreciation				
Paving - Road Ways	\$ 3,056,689	\$ 896,975	\$	\$ 3,953,664
Landscape/Hardscape	1,506,435	726,031		2,232,466
Drainage System	<u>592,515</u>	<u>199,707</u>	<u></u>	<u>792,222</u>
Total Accumulated Depreciation	<u>\$ 5,155,639</u>	<u>\$ 1,822,713</u>	<u>\$ - 0 -</u>	<u>\$ 6,978,352</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 50,465,433</u>	<u>\$ (676,826)</u>	<u>\$ - 0 -</u>	<u>\$ 49,788,607</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 53,983,870</u>	<u>\$ (676,826)</u>	<u>\$ - 0 -</u>	<u>\$ 53,307,044</u>

Certain infrastructure constructed by the District with funds advanced by developers for the purposes of providing water service and wastewater service to District residents is conveyed to other entities for ownership and maintenance. These costs are recorded as an intangible asset and amortized over a period of 45 years.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

	October 1, 2018	Increases	Decreases	September 30, 2019
Intangible Assets Subject to Amortization				
Water and Sewer Infrastructure	\$ 17,647,367	\$ 1,369,015	\$ - 0 -	\$ 19,016,382
Less Accumulated Amortization				
Water and Sewer Infrastructure	\$ 2,926,075	\$ 701,627	\$ - 0 -	\$ 3,627,702
Total Amortizable Intangible Assets, Net of Accumulated Amortization	<u>\$ 14,721,292</u>	<u>\$ 667,388</u>	<u>\$ - 0 -</u>	<u>\$ 15,388,680</u>

NOTE 7. MAINTENANCE TAX

Pursuant to an election held on May 10, 2008, within the District, the duly qualified resident voters of the District authorized an annual maintenance tax in an unlimited rate per \$100 of assessed valuation. During the year ended September 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.2555 per \$100 of assessed valuation, which resulted in a tax levy of \$1,450,961 on the adjusted taxable valuation of \$567,890,691 for the 2018 tax year. The maintenance tax will be used for maintenance and other authorized purposes including, but not limited to, planning, constructing, acquiring, maintaining, repairing and operating all necessary land, works, improvements, facilities, plants, equipment and appliances, and for the payment of proper services, engineering fees, legal fees, and organization and administrative costs in accordance with Section 49.107 of the Texas Water Code.

NOTE 8. DUE TO DEVELOPERS

The District is currently a party to the following reimbursement agreements: (1) Amended and Restated Agreement for Funding Construction and Purchase of Facilities and Advances dated January 27, 2010, between the District and Forestar/RPG Land Company, LLC ("FRPG"), and subsequently assigned by FRPG to LFC Land Company, LLC, ("LFC") by Assignment and Assumption of Reimbursement Rights and Obligations, effective April 20, 2012; Partial Assignment of Reimbursement Rights and Obligations, effective July 16, 2012, between LFC and LFC Development Company I, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective September 26, 2013, between LFC and LFC Development Company II, LLC (now known as LFC Devco Maydelle, LLC); Partial Assignment of Reimbursement Rights and Obligations, effective December 20, 2013, between LFC and LFC Development Company III, LLC (now known as LFC Devco BIG II, LLC); Partial Assignment of Reimbursement Rights and Obligations, effective May 23, 2014, between LFC and LFC Devco Cypress, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective May 23, 2014, between LFC and LFC Devco Graham, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective February 23, 2015, between LFC and LFC Devco HLH, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective July 17, 2015, between LFC and LFC Devco

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8. DUE TO DEVELOPERS (Continued)

GM, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective October 13, 2015, between LFC and LFC Devco EC, LLC, and (2) Agreement for Funding Construction and Purchase of Facilities and Advances dated March 26, 2014, between the District and LFC Land Company II, LLC ("LFC II"); Partial Assignment of Reimbursement Rights and Obligations, effective May 23, 2014, between LFC II and LFC Devco Sage, LLC; Partial Assignment of Reimbursement Rights and Obligations, effective October 13, 2015, between LFC II and LFC Devco Sage II, LLC. In accordance with these agreements, the Developers have advanced money to the District to fund construction and operational costs.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, and errors and omissions coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. DEVELOPMENT AGREEMENT WITH THE CITY OF CELINA

The City of Celina, Forestar/RPG Land Company, LLC, a predecessor to the Developers, and other land owners executed that certain Amended and Restated Development Agreement, effective March 12, 2007 ("Original Development Agreement"), as modified by the following: (a) that certain Addendum to Amended and Restated Development Agreement, effective March 12, 2007 (the "Addendum"); (b) that certain First Amendment to Amended and Restated Development Agreement, effective March 12, 2007 ("First Amendment"); (c) that certain Second Amendment to Amended and Restated Development Agreement, effective March 12, 2007 ("Second Amendment"); (d) that certain Third Amendment to Amended and Restated Development Agreement, effective May 9, 2011 ("Third Amendment"); (e) that certain Fourth Amendment to Amended and Restated Development Agreement, effective October 12, 2012 ("Fourth Amendment"), (f) that certain Fifth Amendment to Amended and Restated Development Agreement, approved June 25, 2014 ("Fifth Amendment"); (g) that certain Memorandum of Amendment to Development Agreement, executed September 16, 2014 (the "Memorandum"); (h) that certain Sixth Amendment to Amended and Restated Development Agreement approved by the City on September 8, 2015; (i) that certain Seventh Amendment to Amended and Restated Development Agreement approved by the City on November 10, 2015; and (j) that certain Eighth Amendment to Amended and Restated Development Agreement approved by the City on January 12, 2016, and (k) that certain Ninth Amendment to Amended and Restated Development Agreement approved by the City on November 16, 2016, (the Original Development Agreement, Addendum, First Amendment, Second Amendment, Third

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. DEVELOPMENT AGREEMENT WITH THE CITY OF CELINA
(Continued)

Amendment, Fourth Amendment, Fifth Amendment, memorandum, Sixth Amendment, Seventh Amendment, Eighth Amendment and Ninth Amendment, collectively, "Development Agreement"). The District has joined in the Development Agreement. Among other things, the Development Agreement establishes land use requirements; addresses the process for the design, approval, and construction of District infrastructure; provides for developer and District recognition and acknowledgement of the City as the retail water and sewer service provider; provides for the transfer to the City of ownership of and maintenance responsibility for the water and sewer infrastructure constructed by the District; establishes the terms and conditions for the issuance of bonds and addition of land by the District; establishes agreements for the timing and manner by which fire, emergency services and police are to be provided and costs thereof paid; authorize enforcement of certain City Ordinances within the District; and terms and conditions upon which the City may proceed to dissolve the District.

NOTE 11. INTERLOCAL AGREEMENTS WITH COLLIN COUNTY REGARDING COUNTY ROAD 51

County Road 51 (CR 51) currently traverses from north to south through the eastern portion of the District, and a portion thereof has been or is in the process of being abandoned and replaced by Light Farms Way, the principal thoroughfare through the District. The District has entered into two (2) separate agreements with Collin County regarding the construction, widening, and maintenance of the northern and southern segments of CR 51 located within the District. Pursuant to that Interlocal Agreement, effective January 29, 2013, Collin County agreed to make its right of way available through the southern portion of the District, and the District agreed to improve and maintain that portion of the road to meet City of Celina standards. Pursuant to that Interlocal Agreement, effective November 27, 2013, the County agreed to make its right of way available and improve 3,870 linear feet of CR 51 as a 20-foot-wide all-weather driving surface through the northern portion of the District. The District agreed to provide any additional right of way needed, provide funding to the County in the amount of \$67,654 for such work, and maintain that portion of CR 51. The District paid this cost in a prior year. The District agreed to upgrade that work by constructing a concrete road to meet the City's street standards within seven years.

NOTE 12. INTERLOCAL AGREEMENTS WITH THE CITY OF CELINA

Pursuant to an election held on May 17, 2017, and the Development Agreement with the City of Celina (See Note 10), the District entered into agreements in which the City will provide fire-fighting services and law enforcement services to the District.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12. INTERLOCAL AGREEMENTS WITH THE CITY OF CELINA
(Continued)

The District has adopted a Fire Plan and entered into an Interlocal Cooperation Agreement For Fire Protection Services with the City pursuant to which the City provides fire protection and emergency medical services to the area within the District. Pursuant to the agreement, the City has agreed to provide services to the residents and property owners within the District to the same extent and at the same level as is provided to the residents and property owners within the corporate limits of the City. The methodology established in the agreement to determine the cost of services provided by the City is intended to produce a cost to a District resident comparable to that allocated to a resident of the City. For the initial year of the agreement such estimated cost was \$323 per residence. The annual amount to be paid by the District is calculated by September 1 of each year during the term of the Fire Protection Services Agreement; and paid in 10 equal installments. The initial term of the agreement expires September 30, 2022. However, the agreement renews automatically for additional five-year terms until the area within the District is annexed into the City or a party provides notice of termination to the other party. Pursuant to the Fire Plan and an election held in the District on May 6, 2017, to fund the annual payments under the Fire Protection Services Agreement, the District has established rates and charges to be collected from the District residents and builders, as well as District ad valorem taxes. For fiscal year 2019, the District has levied and assessed a contract tax (the “Contract Tax”) in the amount of \$0.0945 per \$100 of assessed value for fire protection services.

The District has also entered into an Interlocal Cooperation Agreement For Law Enforcement Services (the “Law Enforcement Services Agreement”) with the City pursuant to which the City provides law enforcement services to the area within the District. Pursuant to the agreement, the City has agreed to provide services to the residents and property owners within the District to the same extent and at the same level as is provided to the residents and property owners within the corporate limits of the City. The methodology established in the agreement to determine the cost of the services to be provided by the City is intended to produce a cost to a District resident comparable to that allocated to a resident of the City. For the initial year of the agreement such estimated cost was \$247 per residence. The annual amount to be paid by the District is calculated by September 1 of each year during the term of the Law Enforcement Services Agreement and paid in 10 equal installments. The initial term of the agreement expires September 30, 2022. However, the agreement renews automatically for additional five-year terms until the area within the District is annexed into the City or a party provides notice of termination to the other party. To fund the annual payments under the Law Enforcement Services Agreement, the District has established rates and charges to be collected from the District residents and builders.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13. BOND SALE

On October 24, 2018, the District issued its \$14,915,000 Series 2018 Unlimited Tax Utility System Bonds. The proceeds were used to reimburse Developers within the District for the following projects: water, wastewater, and drainage facilities to serve Light Farms Way and Bluestem, Indigo, and Grange Phase 1; off-site 18" water line, elevated water tower, off-site wastewater line Phase 1, and off-site wastewater line Phase 2; engineering and testing for all items; developer interest; creation, engineering and legal expenses; developer advances; and to pay issuance costs of the bonds.

NOTE 14. SUBSEQUENT EVENT – BOND SALE

Subsequent to year-end, on November 20, 2019, the District issued its \$10,795,000 Series 2019 Unlimited Tax Utility System Bonds. The proceeds of the bonds were used to reimburse Developers within the District for the following projects: water, wastewater, and drainage facilities to serve various subdivisions and areas within the District; mass grading for portions of utility construction; off-site sanitary sewer easement; engineering and testing for all items; developer interest; operations and administrative expenses; and to pay issuance costs of the bonds.

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COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,917,162	\$ 2,104,627	\$ 187,465
Builder Permit Revenues	270,000	237,200	(32,800)
Investment and Miscellaneous Revenues	<u>54,450</u>	<u>151,502</u>	<u>97,052</u>
TOTAL REVENUES	<u>\$ 2,241,612</u>	<u>\$ 2,493,329</u>	<u>\$ 251,717</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 165,000	\$ 139,293	\$ 25,707
Contracted Services	1,088,380	857,918	230,462
Utilities/Repairs and Maintenance	760,000	508,336	251,664
Other	<u>39,000</u>	<u>30,254</u>	<u>8,746</u>
TOTAL EXPENDITURES	<u>\$ 2,052,380</u>	<u>\$ 1,535,801</u>	<u>\$ 516,579</u>
NET CHANGE IN FUND BALANCE	\$ 189,232	\$ 957,528	\$ 768,296
FUND BALANCE - OCTOBER 1, 2018	<u>1,531,368</u>	<u>1,531,368</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2019	<u>\$ 1,720,600</u>	<u>\$ 2,488,896</u>	<u>\$ 768,296</u>

See accompanying independent auditor's report.

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COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2019

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

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

2. RETAIL SERVICE PROVIDER:

The City of Celina provides water and wastewater services to District residents.

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (NOT APPLICABLE)

4. STANDBY FEES: (NOT APPLICABLE)

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Collin County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. LOCATION OF DISTRICT: (Continued)

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

Entirely X Partly Not at all

ETJ in which City is located:

City of Celina, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PROFESSIONAL FEES:	
Auditing	\$ 16,250
Engineering	20,278
Legal	99,265
Financial Advisor	<u>3,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 139,293</u>
CONTRACTED SERVICES:	
Consulting	\$ 63,000
Bookkeeping	18,000
Fire Services	415,242
Law Enforcement	<u>361,676</u>
TOTAL CONTRACTED SERVICES	<u>\$ 857,918</u>
UTILITIES	<u>\$ 18,434</u>
REPAIRS AND MAINTENANCE	<u>\$ 489,902</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 9,624
Insurance	10,644
Other	<u>7,894</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 28,162</u>
BOND ISSUANCE COSTS	<u>\$ 2,092</u>
TOTAL EXPENDITURES	<u><u>\$ 1,535,801</u></u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2019

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX8002	Varies	Daily	\$ 767,581	\$
LOGIC	XXXX8003	Varies	Daily	102,344	
TOTAL GENERAL FUND				<u>\$ 869,925</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX8001	Varies	Daily	<u>\$ 1,535,160</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 2,405,085</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Maintenance Taxes</u>		<u>Contract/Fire Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -						
OCTOBER 1, 2018	\$	3,054	\$	1,125	\$	8,375
Adjustments to Beginning						
Balance		<u>113,368</u>		<u>14,774</u>		<u>358,857</u>
	\$	116,422	\$	15,899	\$	367,232
Original 2018 Tax Levy	\$	1,376,146	\$	508,985	\$	3,770,262
Adjustment to 2018 Tax Levy		<u>74,815</u>		<u>27,671</u>		<u>204,973</u>
		1,450,961		536,656		3,975,235
TOTAL TO BE						
ACCOUNTED FOR		\$ 1,567,383		\$ 552,555		\$ 4,342,467
TAX COLLECTIONS:						
Prior Years	\$	112,830	\$	14,570	\$	357,389
Current Year		<u>1,443,376</u>		<u>533,851</u>		<u>3,954,455</u>
		1,556,206		548,421		4,311,844
TAXES RECEIVABLE -						
SEPTEMBER 30, 2019		<u>\$ 11,177</u>		<u>\$ 4,134</u>		<u>\$ 30,623</u>
TAXES RECEIVABLE BY						
YEAR:						
2018	\$	7,585	\$	2,805	\$	20,780
2017		<u>3,592</u>		<u>1,329</u>		<u>9,843</u>
TOTAL		<u>\$ 11,177</u>		<u>\$ 4,134</u>		<u>\$ 30,623</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 229,825,570	\$ 191,447,213	\$ 136,824,316	\$ 107,044,736
Improvements	381,716,104	284,684,960	168,223,829	60,929,993
Personal Property	9,091,648	5,209,386	962,410	
Exemptions	<u>(52,742,631)</u>	<u>(30,646,764)</u>	<u>(22,309,170)</u>	<u>(2,792,631)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 567,890,691</u>	<u>\$ 450,694,795</u>	<u>\$ 283,701,385</u>	<u>\$ 165,182,098</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.7000	\$ 0.7000	\$ 0.81	\$ 0.8124
Contract/Fire	0.0945	0.0945	0.00	0.0000
Maintenance	<u>0.2555</u>	<u>0.2555</u>	<u>0.24</u>	<u>0.2376</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.0500</u>	<u>\$ 1.0500</u>	<u>\$ 1.05</u>	<u>\$ 1.0500</u>
ADJUSTED TAX LEVY*	<u>\$ 5,962,852</u>	<u>\$ 4,732,296</u>	<u>\$ 2,978,864</u>	<u>\$ 1,734,413</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.48 %</u>	<u>99.69 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – An unlimited tax rate was approved by voters on May 10, 2008.

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 4 R O A D				
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total	
2020	\$ 355,000	\$ 423,687	\$	778,687
2021	365,000	412,888		777,888
2022	375,000	401,787		776,787
2023	390,000	390,313		780,313
2024	405,000	377,881		782,881
2025	425,000	363,863		788,863
2026	440,000	348,175		788,175
2027	460,000	330,725		790,725
2028	485,000	311,825		796,825
2029	505,000	292,025		797,025
2030	530,000	271,325		801,325
2031	555,000	249,625		804,625
2032	580,000	226,562		806,562
2033	610,000	201,636		811,636
2034	640,000	175,075		815,075
2035	670,000	147,238		817,238
2036	705,000	117,578		822,578
2037	740,000	85,970		825,970
2038	780,000	52,719		832,719
2039	815,000	17,828		832,828
2040				
2041				
2042				
2043				
	<u>\$ 10,830,000</u>	<u>\$ 5,198,725</u>	<u>\$</u>	<u>16,028,725</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 5 R O A D				
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total	
2020	\$ 335,000	\$ 377,787	\$	712,787
2021	345,000	367,587		712,587
2022	355,000	357,087		712,087
2023	365,000	346,287		711,287
2024	375,000	335,187		710,187
2025	390,000	323,225		713,225
2026	400,000	309,887		709,887
2027	415,000	295,366		710,366
2028	430,000	279,781		709,781
2029	445,000	263,375		708,375
2030	460,000	245,832		705,832
2031	475,000	227,132		702,132
2032	495,000	207,732		702,732
2033	515,000	187,532		702,532
2034	535,000	166,532		701,532
2035	555,000	144,385		699,385
2036	580,000	120,975		700,975
2037	605,000	96,156		701,156
2038	625,000	70,019		695,019
2039	655,000	42,819		697,819
2040	680,000	14,450		694,450
2041				
2042				
2043				
	<u>\$ 10,035,000</u>	<u>\$ 4,779,133</u>	<u>\$</u>	<u>14,814,133</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 6 R O A D			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 470,000	\$ 516,513	\$ 986,513
2021	480,000	499,863	979,863
2022	490,000	480,463	970,463
2023	500,000	460,662	960,662
2024	510,000	440,462	950,462
2025	525,000	419,762	944,762
2026	540,000	401,162	941,162
2027	555,000	384,737	939,737
2028	570,000	367,506	937,506
2029	590,000	349,013	939,013
2030	605,000	328,838	933,838
2031	625,000	306,922	931,922
2032	645,000	283,903	928,903
2033	670,000	259,650	929,650
2034	690,000	234,150	924,150
2035	715,000	207,806	922,806
2036	740,000	179,600	919,600
2037	765,000	149,500	914,500
2038	795,000	118,300	913,300
2039	820,000	86,000	906,000
2040	855,000	52,500	907,500
2041	885,000	17,700	902,700
2042			
2043			
	<u>\$ 14,040,000</u>	<u>\$ 6,545,012</u>	<u>\$ 20,585,012</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 7 R O A D			
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total
2020	\$ 440,000	\$ 425,106	\$ 865,106
2021	450,000	411,756	861,756
2022	460,000	398,106	858,106
2023	470,000	384,156	854,156
2024	480,000	372,306	852,306
2025	495,000	362,247	857,247
2026	505,000	350,991	855,991
2027	520,000	338,494	858,494
2028	535,000	324,638	859,638
2029	550,000	309,032	859,032
2030	565,000	292,307	857,307
2031	585,000	275,057	860,057
2032	605,000	256,828	861,828
2033	625,000	237,609	862,609
2034	650,000	217,281	867,281
2035	675,000	195,749	870,749
2036	700,000	172,969	872,969
2037	725,000	148,922	873,922
2038	750,000	124,031	874,031
2039	780,000	98,213	878,213
2040	810,000	71,381	881,381
2041	840,000	43,537	883,537
2042	870,000	14,681	884,681
2043			
	<u>\$ 14,085,000</u>	<u>\$ 5,825,397</u>	<u>\$ 19,910,397</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

S E R I E S - 2 0 1 8 U T I L I T Y				
Due During Fiscal Years Ending September 30	Principal Due February 15	Interest Due February 15/ August 15	Total	
2020	\$ 435,000	\$ 519,800	\$	954,800
2021	445,000	506,600		951,600
2022	455,000	493,100		948,100
2023	465,000	479,300		944,300
2024	475,000	465,200		940,200
2025	490,000	450,725		940,725
2026	505,000	435,800		940,800
2027	515,000	420,179		935,179
2028	535,000	403,438		938,438
2029	550,000	385,806		935,806
2030	565,000	367,334		932,334
2031	585,000	347,563		932,563
2032	605,000	326,737		931,737
2033	625,000	305,213		930,213
2034	650,000	282,493		932,493
2035	670,000	258,568		928,568
2036	695,000	233,395		928,395
2037	720,000	206,862		926,862
2038	745,000	179,393		924,393
2039	775,000	150,410		925,410
2040	805,000	119,797		924,797
2041	835,000	87,500		922,500
2042	870,000	53,400		923,400
2043	900,000	18,000		918,000
	<u>\$ 14,915,000</u>	<u>\$ 7,496,613</u>	<u>\$</u>	<u>22,411,613</u>

See accompanying independent auditor's report.

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COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,035,000	\$ 2,262,893	\$ 4,297,893
2021	2,085,000	2,198,694	4,283,694
2022	2,135,000	2,130,543	4,265,543
2023	2,190,000	2,060,718	4,250,718
2024	2,245,000	1,991,036	4,236,036
2025	2,325,000	1,919,822	4,244,822
2026	2,390,000	1,846,015	4,236,015
2027	2,465,000	1,769,501	4,234,501
2028	2,555,000	1,687,188	4,242,188
2029	2,640,000	1,599,251	4,239,251
2030	2,725,000	1,505,636	4,230,636
2031	2,825,000	1,406,299	4,231,299
2032	2,930,000	1,301,762	4,231,762
2033	3,045,000	1,191,640	4,236,640
2034	3,165,000	1,075,531	4,240,531
2035	3,285,000	953,746	4,238,746
2036	3,420,000	824,517	4,244,517
2037	3,555,000	687,410	4,242,410
2038	3,695,000	544,462	4,239,462
2039	3,845,000	395,270	4,240,270
2040	3,150,000	258,128	3,408,128
2041	2,560,000	148,737	2,708,737
2042	1,740,000	68,081	1,808,081
2043	900,000	18,000	918,000
	<u>\$ 63,905,000</u>	<u>\$ 29,844,880</u>	<u>\$ 93,749,880</u>

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
SEPTEMBER 30, 2019

Description	Original Bonds Issued	Bonds Outstanding October 1, 2018
Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2014	\$ 11,500,000	\$ 11,170,000
Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2015	11,000,000	10,365,000
Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2016	14,500,000	14,500,000
Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds - Series 2017	14,915,000	14,520,000
Collin County Municipal Utility District No. 1 Unlimited Tax Utility System Bonds - Series 2018	<u>14,915,000</u>	<u> </u>
TOTAL	<u><u>\$ 66,830,000</u></u>	<u><u>\$ 50,555,000</u></u>

Bond Authority:	<u>Water, Sewer and Drainage Bonds</u>	<u>Refunding Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 152,380,000	\$ 625,290,000	\$ 264,480,000
Amount Issued	<u>14,915,000</u>	<u> </u>	<u>51,915,000</u>
Remaining to be Issued	<u><u>\$ 137,465,000</u></u>	<u><u>\$ 625,290,000</u></u>	<u><u>\$ 212,565,000</u></u>

Debt Service Fund cash as of September 30, 2019: \$ 3,405,276

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 3,906,245

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

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding September 30, 2019		Paying Agent
	Principal	Interest			
\$	\$ 340,000	\$ 434,113	\$ 10,830,000		BOKF, N.A. Dallas, TX
	330,000	387,762	10,035,000		BOKF, N.A. Dallas, TX
	460,000	530,463	14,040,000		BOKF, N.A. Dallas, TX
	435,000	438,231	14,085,000		BOKF, N.A. Dallas, TX
<u>14,915,000</u>		<u>425,446</u>	<u>14,915,000</u>		BOKF, N.A. Dallas, TX
<u>\$ 14,915,000</u>	<u>\$ 1,565,000</u>	<u>\$ 2,216,015</u>	<u>\$ 63,905,000</u>		

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 2,104,627	\$ 1,572,551	\$ 691,523
Builder Permit Revenues	237,200	505,050	114,000
Investment and Miscellaneous Revenues	<u>151,502</u>	<u>115,996</u>	<u>66,198</u>
TOTAL REVENUES	<u>\$ 2,493,329</u>	<u>\$ 2,193,597</u>	<u>\$ 871,721</u>
EXPENDITURES			
Professional Fees	\$ 139,293	\$ 111,661	\$ 165,271
Contracted Services	857,918	737,955	362,500
Utilities	18,434	17,466	23,929
Repairs and Maintenance	489,902	383,713	125,936
Other	<u>30,254</u>	<u>106,819</u>	<u>26,360</u>
TOTAL EXPENDITURES	<u>\$ 1,535,801</u>	<u>\$ 1,357,614</u>	<u>\$ 703,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 957,528</u>	<u>\$ 835,983</u>	<u>\$ 167,725</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 957,528	\$ 835,983	\$ 167,725
BEGINNING FUND BALANCE	<u>1,531,368</u>	<u>695,385</u>	<u>527,660</u>
ENDING FUND BALANCE	<u><u>\$ 2,488,896</u></u>	<u><u>\$ 1,531,368</u></u>	<u><u>\$ 695,385</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2016	2015	2019	2018	2017	2016	2015	
\$ 386,082	\$ 194,407	84.4 %	71.7 %	79.3 %	94.9 %	97.6 %	
20,836	4,798	9.5	23.0	13.1			
		6.1	5.3	7.6	5.1	2.4	
<u>\$ 406,918</u>	<u>\$ 199,205</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 130,723	\$ 89,471	5.6 %	5.1 %	19.0 %	32.1 %	44.9 %	
78,750	78,750	34.4	33.6	41.6	19.4	39.5	
14,929	17,697	0.7	0.8	2.7	3.7	8.9	
331,227	59,394	19.6	17.5	14.4	81.4	29.8	
30,957	56,430	1.2	4.9	3.0	7.6	28.4	
<u>\$ 586,586</u>	<u>\$ 301,742</u>	<u>61.5 %</u>	<u>61.9 %</u>	<u>80.7 %</u>	<u>144.2 %</u>	<u>151.5 %</u>	
<u>\$ (179,668)</u>	<u>\$ (102,537)</u>	<u>38.5 %</u>	<u>38.1 %</u>	<u>19.3 %</u>	<u>(44.2) %</u>	<u>(51.5) %</u>	
<u>\$ 285,328</u>	<u>\$ 142,167</u>						
\$ 105,660	\$ 39,630						
422,000	382,370						
<u>\$ 527,660</u>	<u>\$ 422,000</u>						

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 4,311,844	\$ 3,144,043	\$ 2,333,926
Investment and Miscellaneous Revenues	<u>74,682</u>	<u>58,284</u>	<u>56,933</u>
TOTAL REVENUES	<u>\$ 4,386,526</u>	<u>\$ 3,202,327</u>	<u>\$ 2,390,859</u>
EXPENDITURES			
Other Expenditures	\$ 76,973	\$ 107,754	\$ 57,215
Debt Service Principal	1,565,000	1,045,000	315,000
Debt Service Interest	<u>2,216,015</u>	<u>1,678,785</u>	<u>1,205,436</u>
TOTAL EXPENDITURES	<u>\$ 3,857,988</u>	<u>\$ 2,831,539</u>	<u>\$ 1,577,651</u>
NET CHANGE IN FUND BALANCE	\$ 528,538	\$ 370,788	\$ 813,208
BEGINNING FUND BALANCE	<u>2,843,485</u>	<u>2,472,697</u>	<u>1,659,489</u>
ENDING FUND BALANCE	<u><u>\$ 3,372,023</u></u>	<u><u>\$ 2,843,485</u></u>	<u><u>\$ 2,472,697</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,319,497	\$ 622,101	98.3 %	98.2 %	97.6 %	98.6 %	96.6 %
18,445	22,035	1.7	1.8	2.4	1.4	3.4
\$ 1,337,942	\$ 644,136	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 24,703	\$ 17,025	1.8 %	3.4 %	2.4 %	1.8 %	2.6 %
777,379	401,707	35.7	32.6	13.2		
802,082	418,732	50.5	52.4	50.4	58.1	62.4
\$ 535,860	\$ 225,404	88.0 %	88.4 %	66.0 %	59.9 %	65.0 %
1,123,629	898,225	12.0 %	11.6 %	34.0 %	40.1 %	35.0 %
\$ 1,659,489	\$ 1,123,629					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

District Mailing Address - Collin County Municipal Utility District No. 1
c/o Crawford & Jordan LLP
3100 McKinnon Street, Suite 1100
Dallas, TX 75201

District Telephone Number - (214) 981-9090

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2019	Expense Reimbursements for year ended September 30, 2019	Title
Keller W. Webster	05/18 05/22 (Elected)	\$ 1,650	\$ 103	President
Gordon Greeson	05/16 05/20 (Elected)	\$ 1,950	\$ 395	Vice President
Lissa Shepard	05/18 05/22 (Elected)	\$ 1,950	\$ 585	Treasurer
Kenneth Prater	05/16 05/20 (Elected)	\$ 1,500	\$ 456	Secretary
Andy Harvey	05/16 05/20 (Elected)	\$ 1,800	\$ 527	Assistant Secretary

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

Submission date of most recent District Registration Form: May 29, 2018.

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

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2019</u>	<u>Title</u>
Crawford & Jordan LLP	04/17/07	\$ 74,192	General Counsel
Orrick, Herrington, & Sutcliffe LLP		\$ 392,375	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/28/13	\$ 15,500 \$ 15,750	Auditor AUP and Other
Denton County Fresh Water Supply District No. 7	05/18/07	\$ 18,000	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/28/14	\$ 9,904	Delinquent Tax Attorney
Huitt-Zollars Inc	04/17/07	\$ 21,343	Engineer
Hilltop Securities Inc.	04/17/07	\$ 236,531	Financial Advisor
Mr. Mike Arterburn Utility Tax Service	03/27/13	\$ 26,791	Tax Assessor/ Collector
Kevin Mercer	05/18/07	\$ 18,000	Development/ Consultant
Blackridge		\$ 45,000	Legislative Consultant

See accompanying independent auditor's report.

APPENDIX B

Form of Bond Counsel's Opinion

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_____, 2020

We have acted as Bond Counsel for Collin County Municipal Utility District No. 1 (the “District”) in connection with the issuance of the Collin County Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2020 (the “Bonds”), dated December 1, 2020, in the aggregate principal amount of \$11,675,000. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Directors of the District (the “Board”) on November 5, 2020 (the “Order”) authorizing their issuance. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the “Tax Certificate”), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent

conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.
2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX C

Specimen Municipal Bond Insurance Policy

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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:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

Financial Advisory Services
Provided By

