OFFICIAL STATEMENT DATED OCTOBER 26, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 400, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has **not** designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (BAM Insured) . . . . "AA" (stable outlook)
Moody's Investors Service, Inc. (Underlying).... "A3"
See "BOND INSURANCE" and "RATINGS" herein.

$3,245,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 400
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX PARK BONDS, SERIES 2020B

Dated: November 1, 2020 **Due: September 1, as shown below**

Principal of the above bonds (the "Bonds") is payable to the registered owners thereof (the "Registered Owners") by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from November 1, 2020, and is payable on September 1, 2021 (ten-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only. The Bonds, including the Term Bonds, maturing on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2025, or on any date thereafter, at the option of Harris County Municipal Utility District No. 400 (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar or by DTC (defined below) in accordance with its procedures while the Bonds are in book-entry-only form. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar (as defined herein) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. 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 Registered Owners should be read to include the person for which the Direct or Indirect Participant (as defined under "BOOK-ENTRY-ONLY SYSTEM") acquires an interest in the Bonds, but (i) all rights or ownership must be exercised through DTC and the Book-Entry Only System, and, (ii) except as described herein, notices that are to be given to Registered Owners under the Bond Order (defined herein) will be given only to DTC. See "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 ("BAM" or the "Insurer").

BAM

MATURITY SCHEDULE
CUSIP Prefix (a) 41420Q
$380,000 Serial Bonds

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)	Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
$ 70,000	2023	4.50%	0.60%	PM4	$80,000	2026(c)	2.00%	1.00%	PQ5
75,000	2024	4.50	0.70	PN2	80,000	2027(c)	2.00	1.20	PR3
75,000	2025	4.50	0.85	PP7					

$170,000 Term Bonds, Due September 1, 2029 (c)(d), CUSIP Suffix PT9(a), Interest Rate 2.00% (Yield 1.50%)(b)
$180,000 Term Bonds, Due September 1, 2031 (c)(d), CUSIP Suffix PV4(a), Interest Rate 2.00% (Yield 1.85%)(b)
$295,000 Term Bonds, Due September 1, 2034 (c)(d), CUSIP Suffix PY8(a), Interest Rate 2.00% (Yield 2.15%)(b)
$330,000 Term Bonds, Due September 1, 2037 (c)(d), CUSIP Suffix QB7(a), Interest Rate 2.125% (Yield 2.30%)(b)
$365,000 Term Bonds, Due September 1, 2040 (c)(d), CUSIP Suffix QE1(a), Interest Rate 2.25% (Yield 2.45%)(b)
$1,525,000 Term Bonds, Due September 1, 2050 (c)(d), CUSIP Suffix QQ4(a), Interest Rate 2.50% (Yield 2.55%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (defined herein), the Financial Advisor (defined herein), nor the Underwriter (hereinafter defined) take any responsibility for the accuracy of CUSIP numbers.
(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
(c) Subject to optional redemption as described above.
(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District, as further described herein. See "THE BONDS – Source and Security for Payment." The Bonds are obligations solely of the District. Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

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 approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through DTC is expected to be on or about November 30, 2020, in Dallas, Texas.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056 upon payment of the costs for duplication thereof.

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 shall, under any circumstances, create any implication that there has been no change in the condition 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 Underwriter and thereafter only as described under "GENERAL CONSIDERATIONS - Updating of Official Statement."

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by DTC for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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 OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the cover page hereof at a price of 97.867954% of the principal amount thereof, plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.514842% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") 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, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.7 million, $143.6 million and $345.1 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/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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 moneys received pursuant to the applicable bond documents. 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 of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim 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 is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE” and “RATINGS” herein. As is stated in this Official Statement under the caption “NO MATERIAL ADVERSE CHANGE,” the rating of the Insurer’s creditworthiness by any rating agency does not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriters of their obligations to take up and pay for the Bonds.

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

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

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "A2" (stable outlook) from Moody's Investors Service ("Moody's") based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "A3."

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 they will not be revised downward or withdrawn entirely by S&P and Moody's, if, in their judgment, 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 the Bonds other than the ratings of S&P and Moody's. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 400 (the "District") is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."
Description	$3,245,000 Unlimited Tax Park Bonds, Series 2020B are dated November 1, 2020. $380,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2027, inclusive, in the respective principal amounts set forth on the cover page of this Official Statement under "MATURITY SCHEDULE." $2,865,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2031, 2034, 2037, 2040 and 2050, in the respective principal amounts set forth on the cover hereof (collectively, the "Term Bonds"). Interest on the Bonds accrues from November 1, 2020, and is payable on September 1, 2021 (ten-month interest payment), and on each March 1 and September 1 thereafter (each, an "Interest Payment Date") until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2026, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2025, or on any date thereafter at the option of the District. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as more completely described in this Official Statement. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. The Bonds are issued pursuant to a Bond Order (the "Bond Order") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the

participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

Source and Security for Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "THE BONDS - Source and Security for Payment," "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates" and "TAX DATA - Tax Rate Calculations."
Use of Proceeds	A portion of the proceeds of the sale of the Bonds will be used by the District to pay the District's cost of construction and acquisition of the amenity portion of Park Lakes detention and storm water quality pond, phases 1 and 2; clearing and grubbing serving Canyon Gate at Park Lakes, Sections 11 and 13, and Park Lakes East, phases 1 and 1a; landscape reserves in sections within Canyon Village at Park Lakes and Canyon Gate at Park Lakes; and land costs for the amenity portion of Park Lakes detention and storm water pond, phases 1 and 2, and for landscape reserves in Canyon Gate at Park Lakes. The District will also use the proceeds of the sale of the Bonds to, among other items, pay for administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), a fee to the Attorney General of Texas and certain financing costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record	The Bonds are the eleventh series of Bonds issued by the District for the purposes of financing waterworks, wastewater and drainage facilities and recreational facilities. The District has previously issued Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"), Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"), Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") and Unlimited Tax Bonds, Series 2020A (the "Series 2020A Bonds"). The District also has issued Unlimited Tax Refunding Bonds, Series 2013A (the "Series 2013A Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Park Refunding Bonds, Series 2019A (the "Series 2019A Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2019B (the "Series 2019B Refunding Bonds") to refund outstanding bonds of the District. Collective reference is made in this Official

Statement to all of the District's issued bonded indebtedness as the "Prior Bonds." Before the issuance of the Bonds, the principal amount of the Prior Bonds that have not been previously retired by the District is $72,930,000 (the "Outstanding Bonds"). After issuance of the Bonds, the aggregate principal amount of the District's bonded indebtedness, consisting of the Outstanding Bonds and the Bonds, will be $76,175,000. The District has timely paid all debt service on its previously issued indebtedness when due.

Authorized But Unissued Bonds	After issuance of the Bonds, unlimited tax bonds in the amount of $69,345,000 for waterworks, wastewater, and drainage facilities, $152,990,000 for refunding purposes, and no bonds for recreational facilities will remain authorized but unissued. In addition to the components of the System (defined herein) and recreational facilities that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the recreational facilities that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."
Municipal Bond Ratings	S&P Global Ratings (BAM Insured) "AA" (stable outlook). Moody's Investors Service, Inc. (Underlying) "A3." See "BOND INSURANCE" and "RATINGS."
Bond Counsel	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Engineer	Jones & Carter, Inc., Houston, Texas.
Financial Advisor	Rathmann & Associates, L.P., Houston, Texas.
Not Qualified Tax-Exempt Obligations	The District has **not** designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS - Not Qualified Tax-Exempt Obligations."

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the TCEQ on July 19, 2004. The District contains approximately 1,318.79 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located entirely within the Humble Independent School District. The District is located approximately 13 miles northeast of the central business district of the City. The District is adjacent to the north side of Beltway 8 (North Sam Houston Parkway) and lies approximately 3 miles east of U.S. Highway 59. See "THE DISTRICT - General" and - "Description," and "APPENDIX A - LOCATION MAP."
Authority	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."
Development and Home Construction	As of July 1, 2020, the District contained 2,732 homes, including 184 homes under construction. See "BUILDERS." Commercial above-ground improvements that have been constructed within the District totaling approximately 621,786 square feet of building area include (i) Wal-Mart (approximately 209,300 square feet of building area), (ii) two office buildings (a total of approximately 54,780 square feet of building area), (iii) five shopping centers (a total of approximately 75,415 square feet of building area), (iv) ShowBiz Cinemas (approximately 64,712 square feet of building area), (v) a Staybridge Suites hotel (approximately 71,276 square feet of building area), and (vi) stand-alone businesses (a total of approximately 146,303 square feet of building area). In addition, the 252-unit Villas at Park Lakes Apartments have been constructed within the District. According to the District's Engineer, the development of Canyon Village at Park Lakes, Sections 4 through 9, Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16, Balmoral, Sections 1 through 3, 9 through 14, 16 , 17, and 23 and Park Lakes East, Sections 1 through 7, consisting of a total of 3,539 single-family residential lots located within the District (an aggregate of approximately 918.94 acres) and two recreational reserves totaling approximately 6.58 acres is complete with the provision of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") and street paving. A total of approximately 93.5 acres of land located within the District have been developed for anticipated commercial and/or multi-family residential usage with the provision of trunk components of the System and street paving. Above-

ground commercial and multi-family improvements have been constructed on a total of all but approximately 2.59 of such acres as is described below.

Included in the aforementioned approximately 93.5 acres of land located within the District that have been developed for anticipated commercial and/or multi-family residential usage is the redevelopment of Canyon Gate at Park Lakes, Section 15 (originally 156 single-family residential lots on approximately 32.67 acres) which is complete with components of the System and street paving. Canyon Gate at Park Lakes, Section 15 has been purchased by Canyon Project, Ltd. ("CPL"). CPL has abandoned certain initial components of the System and initial street paving to serve approximately 12 of such acres that are now being utilized for future commercial development. The remaining approximately 20 acres are expected to be utilized for multi-family residential and commercial development. Such approximately 20 acres utilize original Section 15 components of the System and street paving. CPL has sold approximately 9.22 of such approximately 32.67 acres to the Harris County Housing Authority which has entered into a ground lease with Sierra Meadows, Ltd., a development entity of Integrated Real Estate Group, which has completed the construction of a subsidized multi-family housing project thereon. Such project is not subject to taxation by the District. CPL has sold approximately 15.73 acres of such approximately 32.67 acres upon which a Firestone auto care center, ShowBiz Cinemas, Staybridge Suites hotel, Blue Wave Car Wash, a retail strip center, a restaurant, auto parts store and a gasoline service station have been constructed. CPL is marketing for sale the remaining acres which are expected to be utilized for future commercial development. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon.

Wilson-Beltway, Ltd. ("W-B") has developed a total of approximately 52.80 of the aforementioned approximately 93.5 acres within the District for commercial usage, on all but approximately 0.92 acres of which commercial above-ground improvements have been constructed. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon. See "Developers and Other Principal Land Owners" below.

The 252-unit Villas at Park Lakes Apartments have been constructed on approximately 13.17 of the aforementioned approximately 93.5 acres within the District.

Land Tejas Park Lakes 1023, L.P. ("LTPL") (described below under the caption "Developers and Other Principal Land Owners"), has completed the development of 320 single-family residential lots (approximately 88.71 total acres) that have been subdivided as Park Lakes East, Sections 1, 2, and 7, and has conveyed all 320 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "Builders." LTPL owns no additional undeveloped land located within the District.

Balmoral LT, LLC ("BLT") (described below under the caption "Developers and Other Principal Land Owners"), has completed the development of 1,176 single-family residential lots (a total of approximately 288.78 acres) that have been subdivided as Balmoral, Sections 1 through 3, 9 through 14, 16, 17 and 23, and has conveyed all 1,176 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "Builders." BLT owns approximately 5.92 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to develop as future Balmoral, Section 25.

LGI Homes-Texas, LLC ("LGI") (described below under the caption "Developers and Other Principal Land Owners") has completed the development of 470 single-family residential lots (approximately 102.86 acres) that have been subdivided as Park Lakes East, Sections 3 through 6, and is currently constructing homes therein as is described below under the caption "Builders." LGI owns no additional land located within the District.

Since no party, including BLT or W-B is under any legal commitment to the District to develop any of such remaining acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed, or the ultimate usage of any of such land.

Approximately 64.75 acres located within the District are owned by the Humble Independent School District. An elementary school has been constructed on approximately 12.45 acres of land located within the District and an elementary school has been constructed and a middle school is planned on approximately 52.3 acres of land located within the District. Such acreage and improvements are exempt from taxation by the District. The balance of the land located within the District is contained within various easements or rights-of-way, or is otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "TAX

DATA - Principal 2019 Taxpayers," "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS" and "FUTURE DEVELOPMENT."

The District financed the cost of acquiring or constructing certain components of the System, including Water Plant No. 1, Phase 1, interim Wastewater Treatment Plant, Phase 1, site work and lift station, delivery and assembly; water distribution, wastewater collection and storm drainage facilities to serve Park Lakes Commercial Reserves, Phases I and II, Canyon Village at Park Lakes, Sections 4 through 9, and Canyon Gate at Park Lakes, Sections 3 through 8 and 11 through 14 and 16; emergency waterline interconnect; interim Wastewater Treatment Plant, Phase II, and permanent Wastewater Treatment Plant No. 1 - Phase I; land costs for water plant and wastewater plant sites; the District's share of clearing and grubbing for Park Lakes Phase I - West, Phase IA - West, Phase I - East, and Phase IA - East; trunk water, wastewater and drainage facilities for Canyon Village at Park Lakes, Sections 1 and 10, and Canyon Gate at Park Lakes, Sections 1 and 2, land and construction costs for Park Lakes detention and storm water quality features - Phase I-D and II-D, Water Plant No. 1 - chloramine conversion, surface water interconnect facilities, land and construction costs for the amenity portion of Park Lakes, Phase 1 detention and storm water quality features; land and construction costs for the Canyon Village at Park Lakes Recreational Center; land and construction costs for Canyon Village at Park Lakes Landscape Reserves; and clearing and grubbing to serve Park Lakes, Phase 1 West, Balmoral Lift Station - Phase 1, Water Re-pressurization Station - Phase 1, and Balmoral Drainage Facilities - Phase 1, underground water distribution, wastewater collection, and storm drainage facilities serving Balmoral, Sections 1 through 3, 9 through 14, 17 and 23, and Park Lakes East, Sections 1 through 3 and 7, Balmoral Bend, Balmoral Hills and Ralston Road and the Park Lakes Detention Basin expansion and Detention Basin Phase 2 ; Park Lakes North Detention, Phase II; Park Lakes East Phase I Clearing and Grubbing, Detention Basin Clearing and Grubbing, and Detention Basin Facilities, and other items with portions of the proceeds of the sale of the Prior Bonds. The District will finance the District's cost of construction and acquisition of the amenity portion of Park Lakes detention and storm water quality pond, phases 1 and 2; clearing and grubbing serving Canyon Gate at Park Lakes, Sections 11 and 13, and Park Lakes East, phases 1 and 1a; landscape reserves in sections within Canyon Village at Park Lakes and Canyon Gate at Park Lakes; and land costs for the amenity portion of Park Lakes detention and storm water pond, phases 1 and 2, and for landscape reserves in Canyon Gate at Park Lakes, and other items, with proceeds of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Developers and Other Principal Landowners . . . . .

The developer of the 780 fully developed single-family residential lots located within the District which have been subdivided as Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16 is Land Tejas Park Lakes East, Ltd. ("LT") The managing general partner of LT is Land Tejas Companies, Ltd., and its limited partners are the Estate of Courtney P. Grover and Al P. Brende. LT has conveyed all of such 780 fully developed single-family residential lots located within Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16 lots to home building companies which have constructed homes on all but five of such lots, all of which homes have been sold to home purchasers. See "Builders." LT has also completed the development of Canyon Gate at Park Lakes, Section 10, consisting of an approximately 3.15 acre recreational reserve. LT has sold approximately 13.17 acres of land located in the District on which the 252-unit Villas at Park Lakes Apartments have been constructed.

The developer of Park Lakes East located within the District is Land Tejas Park Lakes 1023, L.P. ("LTPL"). The general partners of LTPL are Grover Park Lakes 1023, L.L.C., and Brende Park Lakes 1023, L.L.C., which are both Nevada limited liability companies whose managers are the Estate of Courtney P. Grover and Al P. Brende, respectively. LTPL has completed the development of 320 single-family residential lots (approximately 88.71 total acres) that have been subdivided as Park Lakes East, Sections 1, 2, and 7, and has conveyed all 320 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "Builders." LTPL owns no additional undeveloped land located within the District.

Balmoral LT, LLC ("BLT"), has completed the development of 1,176 single-family residential lots (a total of approximately 288.78 acres) that have been subdivided as Balmoral, Sections 1 through 3, 9 through 14, 16, 17 and 23 and has conveyed all 1,176 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "Builders." BLT owns approximately 5.92 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to develop as future Balmoral, Section 25.

LGI Homes-Texas, LLC ("LGI") has completed the development of 470 single-family residential lots (approximately 102.86 acres) that have been subdivided as Park Lakes East, Sections 3 through 6, and is currently constructing homes therein as is described below under the caption "Builders." LGI owns no additional land located within the District.

Wilson-Beltway, Ltd. ("W-B") has completed the development of a total of approximately 52.80 acres within the District for commercial usage, on all but approximately 0.92 acres of which commercial above-ground improvements have been constructed.

Neither BLT nor W-B has any obligation to the District to develop any of the aforementioned currently undeveloped acres, and any of such parties may sell any of such acres at any time at its sole discretion. Therefore, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed.

Canyon Project, Ltd. ("CPL") has purchased Canyon Gate at Park Lakes, Section 15, the original development of which (156 single-family residential lots on approximately 32.67 acres) is complete with components of the System and street paving. CPL has abandoned certain initial components of the System and initial street paving to serve approximately 12 of such acres that are now being utilized for future commercial development. The remaining approximately 20 acres are expected to be utilized for multi-family residential and commercial development. Such approximately 20 acres utilize original Section 15 components of the System and street paving. CPL has sold approximately 9.22 of such approximately 32.67 acres to the Harris County Housing Authority which has entered into a ground lease with Sierra Meadows, Ltd., a development entity of Integrated Real Estate Group, which has completed the construction of a subsidized multi-family housing project thereon. Such project is not subject to taxation by the District. CPL has sold approximately 15.73 acres of such approximately 32.67 acres upon which a Firestone auto care center, ShowBiz Cinemas, Staybridge Suites hotel, Blue Wave Car Wash, a retail strip center, a restaurant, auto parts store and a gasoline service station have been constructed. CPL is marketing for sale the remaining acres which are expected to be utilized for future commercial development. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon.

LT, LTPL and BLT are entities related to the Land Tejas Companies or to its principal shareholders, Al P. Brende and the Estate of Courtney P. Grover. Collective reference is made in this Official Statement to LTPL, BLT, LGI and CPL as the "Developers."

Builders . . . . Gehan Homes, DR Horton, Westin Homes, History Maker Homes, Colina Homes, Castlerock Communities, Anglia Homes, Lake Ridge Builders, K. Hovnanian Homes, Censeo Homes and LGI are currently constructing homes in Balmoral and Park Lakes East within the District. Collective reference is made in this Official Statement to such home building companies as the "Builders."

The Builders are currently constructing homes in the District which range from approximately 1,400 to 3,477 square feet in size of living area and in sales price from approximately $179,000 to $337,000. The Builders may change the size(s) and the type(s) of homes which it elects to build, and the sales prices thereof, at their sole discretion. There can be no assurance that any of the Builders will continue to construct homes within the District.

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 Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2019 Assessed Valuation (As of January 1, 2019) See "TAX DATA" and "TAX PROCEDURES"			$622,599,254(a)
2020 Assessed Valuation (As of January 1, 2020) See "TAX DATA" and "TAX PROCEDURES"			$749,631,263(b)
Direct Debt:	Outstanding Bonds		$ 72,930,000
	The Bonds		3,245,000
	Total		$ 76,175,000
Estimated Overlapping Debt			$ 43,474,120(c)
Direct and Estimated Overlapping Debt			$ 119,649,120(c)
Direct Debt Ratios			
	: as a percentage of 2019 Assessed Valuation		12.23%
	: as a percentage of 2020 Assessed Valuation		10.16%
Direct and Estimated Overlapping Debt Ratios			
	: as a percentage of 2019 Assessed Valuation		19.22%
	: as a percentage of 2020 Assessed Valuation		15.96%
Bond Fund Balance (as of September 28, 2020)			$ 4,488,311(d)
General Fund Balance (as of September 28, 2020)			$ 14,659,146
2019 Tax Rate Per $100 of Assessed Valuation			
	Debt Service Tax	$0.66	
	Maintenance Tax	0.21	
	Total		$0.87(e)
2020 Tax Rate Per $100 of Assessed Valuation			
	Debt Service Tax	$0.54	
	Maintenance Tax	0.25	
	Total		$0.79(e)
Average Percentage of Tax Collections 2009 through 2018 Levies As of August 31, 2020. See "TAX DATA - Historical Values and Tax Collection History."			99.93%
Percentage of Tax Collections 2019 Levy As of August 31, 2020. See "TAX DATA - Historical Values and Tax Collection History."			99.59%
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2020-2050)			$ 3,975,377
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2037)			$ 4,182,957

Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2020-2050) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	$0.68(e)
Based Upon 2020 Assessed Valuation	$0.56(e)
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2037) at 95% Tax Collections	
Based Upon 2019 Assessed Valuation	$0.71(e)
Based Upon 2020 Assessed Valuation	$0.59(e)
Number of Single Family Residences (including 184 residences under construction) as of July 1, 2020	2,732

Completed Commercial Improvements Totaling Approximately 621,786 Square Feet of Building Area
- Wal-Mart - approximately 209,300 square feet
- ShowBiz Cinemas - approximately 64,712 square feet
- Staybridge Suites - approximately 71,276 square feet
- Two Office Buildings - totaling approximately 54,780 Square Feet
- Five Shopping Centers - totaling approximately 75,415 square Feet
- Stand-alone Businesses - totaling approximately 146,303 Square Feet

Completed Multi-family Improvements
- 252-unit Villas at Park Lakes Apartments

(a) As of January 1, 2019. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's appraisal roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board").

(b) As of January 1, 2020, and comprises the District's 2020 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $51,001,652, which total is included in the amount of $749,631,263. The Appraisal District has proposed the valuation of such protested properties to be $61,383,590. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $20,361,416, which total is also included in the amount of $669,139,802. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020. See "TAX PROCEDURES."

(c) See "DISTRICT DEBT." In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds and the recreational facilities that the District will finance with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2020. The initial payment on the Bonds, consisting of a ten-month interest payment thereof, is due on September 1, 2021.

(e) The District levied a debt service tax in 2019 in the amount of $0.66 per $100 of Assessed Valuation. The District also levied a maintenance tax of $0.21 per $100 of Assessed Valuation in 2019. The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. Therefore, the District's combined total tax for 2020 is $0.79 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is $3.13285. Such total rates of $3.13285 per $100 of Assessed Valuation are higher than the total tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 400
UNLIMITED TAX PARK BONDS
SERIES 2020B

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 400 (the "District") of its Unlimited Tax Park Bonds, Series 2020B (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order authorizing the issuance of the Bonds (the "Bond Order"), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated and bear interest, at the rates shown on the cover hereof, from November 1, 2020, with interest payable on September 1, 2021 (ten-month interest payment), and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. $380,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2027, inclusive, in the respective principal amounts set forth on the cover page of this Official Statement under "MATURITY SCHEDULE." $2,865,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2031, 2034, 2037, 2040 and 2050, in the respective principal amounts set forth on the cover hereof (collectively, the "Term Bonds"). 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. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 7, 2005, voters in the District authorized a total of $4,835,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. After issuance of the Bonds, no unlimited tax bonds for recreational facilities will remain authorized but unissued. See "Financing Recreational Facilities" below. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"). In addition, elections held within the District on November 2, 2004, and September 10, 2005, voters of the District authorized a total of $150,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. A total of $69,345,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities remain authorized but unissued. See "Issuance of Additional Debt" below. The District has previously issued Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”) and Unlimited Tax Bonds, Series 2020A (the “Series 2020A Bonds”). The District also has issued Unlimited Tax Refunding Bonds, Series 2013A (the “Series 2013A Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), Unlimited Tax Park Refunding Bonds, Series 2019A (the “Series 2019A Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2019B (the “Series 2019B Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of the District’s issued bonded indebtedness as the “Prior Bonds.” Before the issuance of the Bonds, the principal amount of the Prior Bonds that have not been previously retired by the District is $72,930,000 (the “Outstanding Bonds”).

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District (see “TAX PROCEDURES”). Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the “Construction Fund”) and the District's Bond Fund (the “Bond Fund”) created and established pursuant to the orders of the District authorizing the issuance of the Prior Bonds. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2029, 2031, 2034, 2037, 2040 and 2050, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedules (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

$170,000 Term Bonds Maturing on September 1, 2029

Year of Redemption	Principal Amount
2028	$85,000
2029 (maturity)	85,000

$180,000 Term Bonds Maturing on September 1, 2031

Year of Redemption	Principal Amount
2030	$90,000
2031 (maturity)	90,000

$295,000 Term Bonds Maturing on September 1, 2034

Year of Redemption	Principal Amount
2032	$ 95,000
2033	100,000
2034 (maturity)	100,000

$330,000 Term Bonds Maturing on September 1, 2037

Year of Redemption	Principal Amount
2035	$105,000
2036	110,000
2037 (maturity)	115,000

$365,000 Term Bonds Maturing on September 1, 2040

Year of Redemption	Principal Amount
2038	$120,000
2039	120,000
2040 (maturity)	125,000

$1,525,000 Term Bonds Maturing on September 1, 2050

Year of Redemption	Principal Amount
2041	$130,000
2042	135,000
2043	140,000
2044	145,000
2045	150,000
2046	155,000
2047	160,000
2048	165,000
2049	170,000
2050 (maturity)	175,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including the Term Bonds), maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption in the manner specified in the Bond Order.

Effects of Redemption

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term 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 shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board of Directors of the District (the "Board") has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial paying agent/registrar for the Bonds (the "Paying Agent," "Registrar," or "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized issuance of a total of $4,835,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. Following the issuance of the Bonds, the District will have no unlimited tax bonds authorized but unissued for recreational facilities but could authorize additional amounts. See "Financing Recreational Facilities" below. The District's voters have authorized the issuance of a total of $150,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The District currently has $69,345,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $154,835,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has $152,990,000 of unlimited tax refunding bonds authorized but unissued.

In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds and the recreational facilities that the District will finance with the proceeds of the Bonds (see "THE SYSTEM" and "USE AND DISTRIBUTION OF BOND PROCEEDS"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District. The District has not yet been authorized by its voters to issue bonds for financing and constructing road facilities. See “Issuance of Additional Debt” above and “INVESTMENT CONSIDERATIONS - Future Debt.” Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

At an election held within the District on May 7, 2005, voters of the District authorized a total of $4,835,000 unlimited tax bonds for financing and constructing recreational facilities and authorized a maintenance tax not to exceed $0.10 per each $100 of assessed valuation for maintenance of recreational facilities. The District issued its $1,590,000 Unlimited Tax Bonds, Series 2010 and is issuing the Bonds for the purpose of acquiring or constructing recreational facilities. Following the issuance of the Bonds, the District will have no unlimited tax bonds authorized but unissued for recreational facilities but could authorize additional amounts.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such recreational purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT - Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so. Further, any such amendment might result in an election being required within the District to determine whether the District is to be annexed.

Consolidation

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

Remedies in Event of Default

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

Defeasance

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

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

There is no assurance that the current law will not be changed in 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, Registered Owners 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 as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any 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.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing

Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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 system for the Bonds is discontinued.

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds of the sale of the Bonds will be used by the District to pay the District's cost of construction and acquisition of the amenity portion of Park Lakes detention and storm water quality pond, phases 1 and 2; clearing and grubbing serving Canyon Gate at Park Lakes, Sections 11 and 13, and Park Lakes East, phases 1 and 1a; landscape reserves in sections within Canyon Village at Park Lakes and Canyon Gate at Park Lakes; and land costs for the amenity portion of Park Lakes detention and storm water pond, phases 1 and 2, and for landscape reserves in Canyon Gate at Park Lakes. The District will also use the proceeds of the sale of the Bonds to, among other items, pay for administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, a fee to the Attorney General of Texas and certain financing costs related to the issuance of the Bonds.

<u>Construction Costs</u>

A. Developer Contribution Items (a)

1.	Park Lakes Detention and Storm Water Quality Pond Phase 1 - Amenity	$ 338,355
2.	Park Lakes Detention and Storm Water Quality Pond Phase 2 - Amenity	101,678
3.	Canyon Gate at Park Lakes, Section 13 Clearing and Grubbing	1,246
4.	Park Lakes East, Phase 1-A Clearing and Grubbing	1,779
5.	Canyon Gate at Park Lakes, Section 11 Clearing and Grubbing	750
6.	Park Lakes East, Phase 1 Clearing and Grubbing	4,273
7.	Canyon Village Park Lakes Landscape Reserves	240,993
8	Canyon Gate at Park Lakes Landscape Reserves	969,655
9.	Land Costs	
	A. Park Lakes Detention and Storm Water Quality Pond Phase 1 - Amenity	103,426
	B. Park Lakes Detention and Storm Water Quality Pond Phase 2 - Amenity	31,143
	C. Canyon Village at Park Lakes Landscape Reserves	982,410
	Total Developer Contribution Items	$2,775,708

B. District Items

None

TOTAL CONSTRUCTION COSTS	$2,775,708

Non-Construction Costs

1.	Legal Fees	$ 91,125
2.	Fiscal Agent Fees	64,900
3.	Developer Interest Costs (b)	114,521
4.	Bond Discount	69,185
5.	Bond Issuance Expenses	40,038
6.	Bond Application Report Costs	50,000
8.	Attorney General Fee	3,245
9.	TCEQ Bond Issuance Fee	8,113
10.	Contingency (c)	28,165
	Total Non-Construction Costs	$ 469,292
	TOTAL BOND ISSUE REQUIREMENT	**$3,245,000**

(a) In general, developers are required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.

(b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the parties that have made such advances have borrowed funds.

(c) Represents funds which may be used by the District only upon approval of the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient for the purposes set forth above. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "THE

BONDS - Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied upon all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Mandamus and Limitations on Registered Owners' Remedies" below and "THE BONDS - Source and Security for Payment" and - "Remedies in Event of Default."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences, apartments and commercial buildings that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for residences of this type and the construction of apartments and commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Decreased levels of home construction activity, among other factors, would restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. See "Potential Effects of Oil Price Declines on the Houston Area" below. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Changes in federal tax law limiting deductions for mortgage interest and/or ad valorem taxes might adversely affect the demand for homes or the prices thereof. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS," and "BUILDERS," (i) the development of 3,539 single-family residential lots and two recreational reserves is complete within the District, (ii) as of July 1, 2020, the District contained 2,732 single-family homes (including 184 homes under construction), (iii) the 252-unit Villas at Park Lakes Apartments have been constructed within the District, and (iv) the development of a total of approximately 93.5 acres of land that are expected to be utilized for commercial and/or multi-family residential development has been completed on which commercial buildings totaling approximately 621,786 square feet of building area have been constructed, the District cannot predict the pace or magnitude of any future development or single-family home construction or construction of future apartments or commercial buildings in the District other than that which has occurred to date.

National Economy: There has been a downturn in new housing construction in the United States, and a decline in national housing market values. Although, as is stated above under "Economic Factors," and as described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS," and "BUILDERS," (i) the development of 3,539 single-family residential lots and two recreational reserves is complete within the District, (ii) as of July 1, 2020, the District contained 2,732 single-family homes (including 184 homes under construction), (iii) the 252-unit Villas at Park Lakes Apartments have been constructed within the District, and (iv) the development of a total of approximately 93.5 acres of land that are expected to be utilized for commercial and/or multi-family residential development has been completed on which commercial buildings totaling approximately 621,786 square feet of building area have been constructed, the District cannot predict the pace or magnitude of any future development or single-family home construction or construction of future apartments or commercial buildings in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing market and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity and the construction of apartments or commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which the construction of apartments or commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, or of homebuilders to initiate the construction of new homes for sale or the construction of future apartments or commercial buildings 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 development and/or home construction or construction of future apartments or commercial buildings within the District. In addition, since the District is located approximately 13 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of future apartments or commercial buildings in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The ability of the Developers, including LTPL, BLT, LGI and CPL, and other principal landowners, including W-B (defined in this Official Statement under the caption "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS") (or any of their partners or co-managers) and any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See "TAX DATA - Principal 2019 Taxpayers." There is no commitment to the District by, or legal requirement of, BLT, LGI, CPL or any other party to proceed at any particular rate or according to any specified plan with the development of land in the District, or of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity or construction of future apartments or commercial buildings in the District. See "DEVELOPMENT AND HOME CONSTRUCTION" and "FUTURE DEVELOPMENT."

As is reflected in this Official Statement under the caption "TAX DATA - Principal 2019 Taxpayers," the District's ten principal taxpayers in 2019 owned property located in the District the aggregate Assessed Valuation of which comprised approximately 17.57% of the District's total 2019 Assessed Valuation. The District cannot represent that its tax base will in the future be less concentrated in property owned by a relatively small number of property owners than it is currently. In addition, if large retail stores, such as Wal-Mart, were to discontinue operations, such buildings may be difficult to re-lease or re-purpose. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse affect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2019 Assessed Valuation of property located within the District is $622,599,254. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be $4,182,957 (2037) and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds will be $3,975,377 (2020 through 2050, inclusive). Assuming no increase to or decrease from the 2019 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other District funds, tax rates of $0.71 and $0.68 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The 2020 Assessed Valuation of property located within the District supplied by the Appraisal District is $749,631,263. Assuming no increase to or decrease from the 2020 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other District funds, tax rates of $0.59 and $0.56 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax in 2019 of $0.66 per $100 of Assessed Valuation, plus a maintenance tax of $0.21 per $100 of Assessed Valuation. The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. As the above calculations indicate, the 2020 debt service rate will not be sufficient to pay the Average Annual and the Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2020 Assessed Valuation, of $749,631,263, a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. See "TAX PROCEDURES." However, the District's Debt Service Fund balance was $4,488,311 as of September 28, 2020. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Prior Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. In addition, the District had, as of August 31, 2020, total annual tax collections averaging 99.93% for the years 2009 through 2018, and its 2019 levy was 99.59% collected as of such date. Therefore, the District expects to be able to pay debt service on the Outstanding Bonds and the Bonds without increasing its debt service tax above the $0.54 per $100 of Assessed Valuation that the District has levied for 2020. See "THE BONDS - Source and Security for Payment' and "TAXING PROCEDURES." However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. Increases in the District's total tax rate to higher levels than the total $0.79 per $100 of Assessed Valuation rate which the District has levied for 2020 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds and the recreational facilities that the District will finance with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "Future Debt" below.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 total rate of $0.79 per $100 of Assessed Valuation, is $3.13285. Such total rates of $3.13285 per $100 of Assessed Valuation are higher than the total tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of individual and total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAX PROCEDURES."

Mandamus and Limitations on Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Remedies in Event of Default" and - "Bankruptcy Limitations to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered

Owner 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Order the right to issue the remaining $69,345,000 in unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, $152,990,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer, drainage and recreational facilities, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The issuance of such bonds for waterworks, wastewater, drainage and recreational facilities is also subject to TCEQ authorization. In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and the recreational facilities that the District will finance with portions of the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt."

The District's Engineer currently estimates that the aforementioned $69,345,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities (not financed with the Prior Bonds) to provide service to all of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT," and "TAX DATA - Tax Rate Calculations."

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"), enacted on August 9, 1989, 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 shall not be liable for any penalties, interest, 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 of the period for which such tax is imposed.

To the extent 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, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

Competitive Nature of Houston Housing and Commercial Building Markets

The single-family development and housing and apartment and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that the building programs that are planned by the Builders or any future home builder(s) will be continued or completed, that additional apartments or commercial buildings will be constructed within the District, or that any development projects other than those that have been heretofore undertaken in the District will be initiated or completed. The likelihood of the construction of future homes, apartments or commercial buildings or the initiation of any new single-family residential, apartment or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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 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 “LEGAL MATTERS - Tax Exemption.”

Marketability

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

Environmental Regulations

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

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

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

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")-Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties-has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb") and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Water Supply & Discharge Issues

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR went into effect on June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Tropical Weather Events

The Houston area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the District's Operator and Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes, apartments or commercial improvements within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

Changes in Tax Legislation

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

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. 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 the State of 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. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic conditions 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 conditions and financial markets worldwide and within Texas and the Houston area. Stock values and oil prices, in the U.S. and globally, have seen significant declines attributed in part 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 Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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 necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, 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.

AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken December 2019)

AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken December 2019)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2019)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2019)

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2019 Assessed Valuation (As of January 1, 2019) See "TAX DATA" and "TAX PROCEDURES"			$622,599,254(a)
2020 Assessed Valuation (As of January 1, 2020) See "TAX DATA" and "TAX PROCEDURES"			$749,631,263(b)
Direct Debt:	Outstanding Bonds		$ 72,930,000
	The Bonds		3,245,000
	Total		$ 76,175,000
Estimated Overlapping Debt			$ 43,474,120(c)
Direct and Estimated Overlapping Debt			$ 119,649,120(c)
Direct Debt Ratios			
	: as a percentage of 2019 Assessed Valuation		12.23%
	: as a percentage of 2020 Assessed Valuation		10.16%
Direct and Estimated Overlapping Debt Ratios			
	: as a percentage of 2019 Assessed Valuation		19.22%
	: as a percentage of 2020 Assessed Valuation		15.96%
Bond Fund Balance (as of September 28, 2020)			$ 4,488,311(d)
General Fund Balance (as of September 28, 2020)			$ 14,659,146
2019 Tax Rate Per $100 of Assessed Valuation			
	Debt Service Tax	$0.66	
	Maintenance Tax	0.21	
	Total		$0.87(e)
2020 Tax Rate Per $100 of Assessed Valuation			
	Debt Service Tax	$0.54	
	Maintenance Tax	0.25	
	Total		$0.79(e)

(a) As of January 1, 2019. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's appraisal roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board").

(b) As of January 1, 2020, and comprises the District's 2020 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $51,001,652, which total is included in the amount of $749,631,263. The Appraisal District has proposed the valuation of such protested properties to be $61,383,590. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $20,361,416, which total is also included in the amount of $669,139,802. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020. See "TAX PROCEDURES."

(c) In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds and the recreational facilities that the District will finance with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2020. The initial payment on the Bonds, consisting of a ten-month interest payment thereof, is due on September 1, 2021.

(e) The District levied a debt service tax in 2019 in the amount of $0.66 per $100 of Assessed Valuation. The District also levied a maintenance tax of $0.21 per $100 of Assessed Valuation in 2019. The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. Therefore, the District's combined total tax for 2020 is $0.79 per $100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2019 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2020 rate, is $3.13285. Such total rates of $3.13285 per $100 of Assessed Valuation are higher than the total tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

Taxing Jurisdiction	Outstanding Debt as of September 30 1, 2020	Overlapping Percent	Overlapping Amount
Harris County (a)	$1,867,957,125	0.14834%	$2,770,891
Harris County Department of Education	6,320,000	0.14834	9,375
Harris County Flood Control District	83,075,000	0.14834	123,232
Harris County Hospital District	86,050,000	0.14834	127,645
Port of Houston Authority	514,174,397	0.14834	762,716
Humble Independent School District	938,535,000	4.02930	37,816,425
Lone Star College System	542,290,000	0.34370	1,863,836
TOTAL ESTIMATED OVERLAPPING DEBT			$43,474,120
TOTAL DIRECT DEBT (the District) (b)			76,175,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			$119,649,120

(a) Harris County Toll Road Authority bonds are considered to be self-supporting, and are not included in this schedule.
(b) Including the Bonds and the Outstanding Bonds.

Debt Ratios

	% of 2019 Assessed Valuation	% of 2020 Assessed Valuation
Direct Debt	12.23%	10.16%
Direct and Estimated Overlapping Debt	19.22%	15.96%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for general operation and maintenance purposes and for operation of recreational facilities, and such taxes have been authorized by the duly qualified voters of the District in amounts not to exceed $1.35 and $0.10 per $100 of Assessed Valuation, respectively. The District levied a debt service tax of $0.66 per $100 of Assessed Valuation for 2019, plus a general maintenance tax of $0.21 per $100 of Assessed Valuation. The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. See "TAX DATA - Maintenance Tax."

Debt Service Requirements

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and interest requirements of the Bonds.

	Current Total	- The Bonds -		Total
Year	Debt Service	Principal	Interest	Debt Service
2020	$ 3,541,788			$ 3,541,788
2021	3,809,532		$ 66,125	3,875,657
2022	3,933,182		79,350	4,012,532
2023	3,925,332	$ 70,000	79,350	4,074,682
2024	3,900,682	75,000	76,200	4,051,882
2025	3,885,682	75,000	72,825	4,033,507
2026	3,907,432	80,000	69,450	4,056,882
2027	3,922,269	80,000	67,850	4,070,119
2028	3,893,419	85,000*	66,250	4,044,669
2029	3,714,432	85,000*	64,550	3,863,982
2030	3,711,218	90,000*	62,850	3,864,068
2031	3,695,375	90,000*	61,050	3,846,425
2032	3,931,751	95,000*	59,250	4,086,001
2033	3,920,788	100,000*	57,350	4,078,138
2034	3,931,683	100,000*	55,350	4,087,033
2035	3,908,619	105,000*	53,350	4,066,969
2036	4,012,782	110,000*	51,119	4,173,901
2037	4,019,175	115,000*	48,781	4,182,957
2038	3,798,700	120,000*	46,338	3,965,037
2039	3,835,950	120,000*	43,638	3,999,587
2040	3,868,825	125,000*	40,938	4,034,762
2041	3,897,325	130,000*	38,125	4,065,450
2042	3,946,450	135,000*	34,875	4,116,325
2043	3,655,325	140,000*	31,500	3,826,825
2044	3,660,819	145,000*	28,000	3,833,819
2045	3,668,262	150,000*	24,375	3,842,637
2046	3,669,444	155,000*	20,625	3,845,069
2047	3,675,875	160,000*	16,750	3,852,625
2048	3,688,181	165,000*	12,750	3,865,931
2049	3,933,938	170,000*	8,625	4,112,563
2050	3,685,500	175,000*	4,375	3,864,875
	$118,549,735	$3,245,000	$1,441,964	$123,236,697

Average Annual Requirements - (2020-2050)	$3,975,377
Maximum Annual Requirement - (2037)	$4,182,957

See "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates" and "TAX DATA - Tax Rate Calculations" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.66 per $100 of Assessed Valuation for 2019, and has levied a debt service tax of $0.54 per $100 of Assessed Valuation for 2020.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for administrative expenses and maintenance of the District's water, sanitary sewer and drainage improvements, and for maintenance of recreational facilities, if such maintenance taxes are authorized by a vote of the District's electorate. On November 2, 2004, the District voters authorized the levy of a maintenance tax for administrative expenses and maintenance of water, sewer and drainage improvements in the maximum amount of $1.35 per $100 of Assessed Valuation. On May 7, 2005, the District voters authorized the levy of a maintenance tax for recreational facilities in the maximum amount of $0.10 per $100 of Assessed Valuation. Each of said taxes may be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any bonds payable in whole or in part from taxes which may be issued in the future. The District levied a maintenance tax of $0.21 per $100 of Assessed Valuation in 2019 for administrative expenses and maintenance of water, sanitary sewer and drainage improvements, and has levied a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. To date, the District has not levied a maintenance tax for recreational facilities and has no current plans to levy such tax.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

				% Collections	
Tax Year	Assessed Valuation	Tax Rate(a)	Adjusted Levy	Current & Prior Years (b)	Year Ended 9/30
2009	$215,151,726	$1.35	$2,904,542	100.00%	2010
2010	220,895,607	1.35	2,982,083	99.99	2011
2011	229,441,081	1.35	3,097,447	99.98	2012
2012	246,350,190	1.30	3,202,546	99.96	2013
2013	286,661,449	1.24	3,554,595	99.96	2014
2014	352,582,838	1.07	3,772,629	99.92	2015
2015	407,773,665	1.01	4,118,506	99.94	2016
2016	426,099,336	0.95	4,047,936	99.91	2020
2017	455,079,738	0.95	4,323,249	99.87	2018
2018	504,454,871	0.93	4,691,419	99.78	2019
2019	622,599,254	0.87	5,416,599	99.59(c)	2020
2020	749,631,263(d)	0.79(e)	5,922,087(e)	(e)	2021

(a) Per $100 of Assessed Valuation.
(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through August 31, 2020.
(c) As of August 31, 2020. In process of collection.
(d) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $51,001,652, which total is included in the amount of $749,631,263. The Appraisal District has proposed the valuation of such protested properties to be $61,383,590. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $20,361,416, which total is also included in the amount of $669,139,802. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.
(e) The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020.

Exemptions

For the 2020 tax year, the District has granted a $20,000 exemption for persons who are disabled or age 65 or older and a general residential homestead exemption equal to five percent (5%) (but in no event less than $5,000) of the appraised value of such residential homestead.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	$0.54	$0.66	$0.72	$0.72	$0.72
Maintenance	0.25	0.21	0.21	0.23	0.23
Total	$0.79	$0.87	$0.93	$0.95	$0.95

Analysis of Tax Base

Type of Property	2020 Assessed Value	%	2019 Assessed Value	%	2018 Assessed Value	%
Land	$156,873,527	20.93%	$163,923,427	26.33%	$138,128,681	27.38%
Improvements	582,149,978	77.66	515,260,021	82.76	410,129,558	81.30
Personal Property	23,539,171	3.14	25,380,691	4.08	24,295,131	4.82
Uncertified	71,363,068	9.52	0	0.00	0	0.00
Exemptions	(84,294,481)	(11.25)	(81,964,885)	(13.16)	(68,098,499)	(13.50)
Total	$749,631,263*	100.00%	$622,599,254	100.00%	$504,454,871	100.00%

Type of Property	2017 Assessed Value	%	2016 Assessed Value	%	2015 Assessed Value	%
Land	$118,603,527	26.06%	$ 96,895,412	22.74%	$ 94,585,286	23.20%
Improvements	375,372,405	82.48	344,305,498	80.80	317,700,803	77.91
Personal Property	24,574,136	5.40	20,797,769	4.88	21,686,140	5.32
Agriculture Net	0	0.00	598,209	0.14	670,101	0.16
Exemptions	(63,470,330)	(13.95)	(36,497,552)	(8.57)	(26,868,665)	(6.59)
Total	$455,079,738	100.00%	$426,099,336	100.00%	$407,773,665	100.00%

* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $51,001,652, which total is included in the amount of $749,631,263. The Appraisal District has proposed the valuation of such protested properties to be $61,383,590. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $20,361,416, which total is also included in the amount of $669,139,802. The District is unable to predict the amount of the District's final 2020 Assessed Valuation. Such final 2020 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2020.

Principal 2019 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2019. The information reflects the composition of record property ownership as of January 1, 2019. See "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS."

Property Owner	Property Description	2019 Property Value	% of 2019 Tax Roll
VR CEH Carrington Holdings	Land and Improvements	$26,037,079	4.18%
Wal-Mart Real Estate Business Trust and Wal-Mart Stores Texas, LLC	Land, Improvements and Personal Property	20,215,151	3.25
Store Capital Acquisitions LLC	Land, Improvements and Personal Property	15,563,811	2.50
Falcon Prime Holdings, Ltd.	Land and Improvements	10,587,634	1.70
Fresh Start Hospitality, LLC	Land, Improvements and Personal Property	7,752,621	1.25
LGI Homes-Texas, LLC	Land and Improvements	7,572,790	1.22
Wilson Beltway, Ltd.	Land and Improvements	7,547,290	1.21
Elite Resources, LLC	Land and Improvements	6,142,285	0.99
Kamco-Fall Creek Center, LLC	Land and Improvements	4,049,561	0.65
Balmoral LT, LLC	Land and Improvements	3,929,106	0.63
		$109,397,328	17.57%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2019 Assessed Valuation or the 2020 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2020-2050)	$3,975,377
Tax Rate of $0.68 on the 2019 Assessed Valuation ($622,599,254) produces	$4,021,991
Tax Rate of $0.56 on the 2020 Assessed Valuation ($749,631,263) produces	$3,988,038
Maximum Annual Debt Service Requirement (2037)	$4,182,957
Tax Rate of $0.71 on the 2019 Assessed Valuation ($622,599,254) produces	$4,199,431
Tax Rate of $0.59 on the 2020 Assessed Valuation ($749,631,263) produces	$4,201,683

The District levied a debt service tax in 2019 of $0.66 per $100 of Assessed Valuation, plus a maintenance tax of $0.21 per $100 of Assessed Valuation. The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020. As the above table indicates, the 2020 debt service rate will not be sufficient to pay the Average Annual and the Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2020 Assessed Valuation, of $749,631,263, a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. See "TAX PROCEDURES." However, the District's Debt Service Fund balance was $4,488,311 as of September 28, 2020. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Prior Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. In addition, the District had, as of August 31, 2020, total annual tax collections averaging 99.93% for the years 2009 through 2018, and its 2019 levy was 99.59% collected as of such date. Therefore, the District expects to be able to pay debt service on the Outstanding Bonds and the Bonds without increasing its debt service tax above the $0.54 per $100 of Assessed Valuation that the District has levied for 2020. See "THE BONDS - Source and Security for Payment" and "TAXING PROCEDURES." However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES." In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds and the recreational facilities that District will finance with the proceeds of the sale of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Estimated 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 2019 taxes levied upon property located within the District by entities other than the District, plus the District's 2020 debt service rate of $0.54 per $100 of Assessed Valuation and maintenance rate of $0.25 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 "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2019 Tax Rate
The District	$0.79000*
Harris County	0.40713
Harris County Department of Education	0.00500
Harris County Hospital District	0.16591
Harris County Flood Control District	0.02792
Port of Houston Authority	0.01074
Humble Independent School District	1.41835
Lone Star College System	0.10780
Harris County Emergency Service District No. 1	0.10000
Harris County Emergency Service District No. 10	0.10000
2019 Total Tax Rate	$3.13285

* The District has levied a debt service tax rate of $0.54 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2020.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has granted an exemption of $20,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Tax Code, acquired in or imported into Texas for storage purposes and which is stored under contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has granted a five percent (5%) general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate” below. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax rate 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Agricultural, Open Space, Timberland and Inventory Deferment

The Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural use, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2020, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland. See “DEVELOPMENT AND HOME CONSTRUCTION” and “DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS.”

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations" and - "The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District has not adopted an Order regarding the reappraisal of property.

Tax Payment Installments after Disaster

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated July 19, 2004, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under - "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS - Issuance of Additional Debt," - "Financing Recreational Facilities," and - "Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District contains approximately 1,318.79 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located entirely within the Humble Independent School District. The District is located approximately 13 miles northeast of the central business district of the City of Houston. The District is adjacent to the north side of Beltway 8 (North Sam Houston Parkway) and lies approximately 3 miles east of U.S. Highway 59. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board, consisting of five (5) directors. The Board has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the five (5) directors reside within the District. All of the directors own land which is subject to taxation by the District.

Name	Position	Term Expires
Gerald Jones, Jr.	President	11/2020
Curtis Goss	Vice President	11/2020
Cheryl Smith	Secretary	5/2022
Anne-Marie Wright	Assistant Secretary	5/2022
Shepard Cross	Director	11/2020

The District does not have a general manager or any other employees, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Wheeler & Associates, Inc. ("Wheeler"), Houston, Texas, as the District's Tax Assessor/Collector. According to Wheeler, the firm presently serves approximately 100 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax rate to appraisal rolls prepared by the Harris County Appraisal District and bills and collects such tax.

Utility System Operator - Environmental Development Partners, L.L.C. is employed by the District as the general operator of the System. According to Environmental Development Partners, L.L.C., it serves as operator of the systems of approximately 55 districts.

Consulting Engineers - The District has employed the firm of Jones & Carter, Inc. (the "Engineer"), Houston, Texas, as consulting engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent certified public accountant to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of February 29, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Bond Counsel and General Counsel - Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent Municipal Advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company search.html.

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective December 20, 2007 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for certain portions of the District which are developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, drainage and recreational facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS - Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily certain areas of commercial and retail development within the District. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the Sales Tax Revenue is pledged toward the payment of principal of and interest on the Bonds or the Outstanding Bonds.

DEVELOPMENT AND HOME CONSTRUCTION

As of July 1, 2020, the District contained 2,732 homes, including 184 homes under construction. See "BUILDERS." Commercial above-ground improvements that have been constructed within the District totaling approximately 621,786 square feet of building area include (i) Wal-Mart (approximately 209,300 square feet of building area), (ii) two office buildings (a total of approximately 54,780 square feet of building area), (iii) five shopping centers (a total of approximately 75,415 square feet of building area), (iv) ShowBiz Cinemas (approximately 64,712 square feet of building area), (v) a Staybridge Suites hotel (approximately 71,276 square feet of building area), and (vi) stand-alone businesses (a total of approximately 146,303 square feet of building area). In addition, the 252-unit Villas at Park Lakes Apartments have been constructed within the District.

According to the District's Engineer, the development of Canyon Village at Park Lakes, Sections 4 through 9, Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16, Balmoral, Sections 1 through 3, 9 through 14, 16, 17, and 23 and Park Lakes East, Sections 1 through 7, consisting of a total of 3,539 single-family residential lots located within the District (an aggregate of approximately 918.94 acres) and two recreational reserves totaling approximately 6.58 acres is complete with the provision of water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") and street paving. A total of approximately 93.5 acres of land located within the District have been developed for anticipated commercial and/or multi-family residential usage with the provision of trunk components of the System and street paving. Above-ground commercial and multi-family improvements have been constructed on a total of all but approximately 2.59 of such acres as is described below.

Included in the aforementioned approximately 93.5 acres of land located within the District that have been developed for anticipated commercial and/or multi-family residential usage is the redevelopment of Canyon Gate at Park Lakes, Section 15 (originally 156 single-family residential lots on approximately 32.67 acres) which is complete with components of the System and street paving. Canyon Gate at Park Lakes, Section 15 has been purchased by Canyon Project, Ltd. ("CPL"). CPL has abandoned certain initial components of the System and initial street paving to serve approximately 12 of such acres that are now being utilized for future commercial development. The remaining approximately 20 acres are expected to be utilized for multi-family residential and commercial development. Such approximately 20 acres utilize original Section 15 components of the System and street paving. CPL has sold approximately 9.22 of such approximately 32.67 acres to the Harris County Housing Authority which has entered into a ground lease with Sierra Meadows, Ltd., a development entity of Integrated Real Estate Group, which has completed the construction of a subsidized multi-family housing project thereon. Such project is not subject to taxation by the District. CPL has sold approximately 15.73 acres of such approximately 32.67 acres upon which a Firestone auto care center, ShowBiz Cinemas, Staybridge Suites hotel, Blue Wave Car Wash, a retail strip center, a restaurant, auto parts store and a gasoline service station have been constructed. CPL is marketing for sale the remaining acres which are expected to be utilized for future commercial development. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon.

Wilson-Beltway, Ltd. ("W-B") has developed a total of approximately 52.80 of the aforementioned approximately 93.5 acres within the District for commercial usage, on all but approximately 0.92 acres of which commercial above-ground improvements have been constructed. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon. See "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS" below.

The 252-unit Villas at Park Lakes Apartments have been constructed on approximately 13.17 of the aforementioned approximately 93.5 acres within the District.

Land Tejas Park Lakes 1023, L.P. ("LTPL") (described below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS"), has completed the development of 320 single-family residential lots (approximately 88.71 total acres) that have been subdivided as Park Lakes East, Sections 1, 2, and 7, and has conveyed all 320 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "BUILDERS." LTPL owns no additional undeveloped land located within the District.

Balmoral LT, LLC ("BLT") (described below under the caption "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS"), has completed the development of 1,176 single-family residential lots (a total of approximately 288.78 acres) that have been subdivided as Balmoral, Sections 1 through 3, 9 through 14, 16, 17 and 23, and has conveyed all 1,176 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "BUILDERS." BLT owns approximately 5.92 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to develop as future Balmoral, Section 25.

LGI Homes-Texas, LLC ("LGI") (described below under the caption "DEVELOPERS AND OTHER PRINCIPAL LAND OWNERS") has completed the development of 470 single-family residential lots (approximately 102.86 acres) that have been subdivided as Park Lakes East, Sections 3 through 6, and is currently constructing homes therein as is described below under the caption "BUILDERS." LGI owns no additional land located within the District.

Since no party, including BLT or W-B is under any legal commitment to the District to develop any of such remaining acres available for future development according to any specific plan, timetable, or at all, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed, or the ultimate usage of any of such land.

Approximately 64.75 acres located within the District are owned by the Humble Independent School District. An elementary school has been constructed on approximately 12.45 acres of land located within the District and an elementary school has been constructed and a middle school is planned on approximately 52.3 acres of land located within the District. Such acreage and improvements are exempt from taxation by the District. The balance of the land located within the District is contained within various easements or rights-of-way, or is otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "TAX DATA - Principal 2019 Taxpayers," "DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS" and "FUTURE DEVELOPMENT."

The District financed the cost of acquiring or constructing certain components of the System, including Water Plant No. 1, Phase 1, interim Wastewater Treatment Plant, Phase 1, site work and lift station, delivery and assembly; water distribution, wastewater collection and storm drainage facilities to serve Park Lakes Commercial Reserves, Phases I and II, Canyon Village at Park Lakes, Sections 4 through 9, and Canyon Gate at Park Lakes, Sections 3 through 8 and 11 through 14 and 16; emergency waterline interconnect; interim Wastewater Treatment Plant, Phase II, and permanent Wastewater Treatment Plant No. 1 - Phase I; land costs for water plant and wastewater plant sites; the District's share of clearing and grubbing for Park Lakes Phase I - West, Phase IA - West, Phase I - East, and Phase IA - East; trunk water, wastewater and drainage facilities for Canyon Village at Park Lakes, Sections 1 and 10, and Canyon Gate at Park Lakes, Sections 1 and 2, land and construction costs for Park Lakes detention and storm water quality features - Phase I-D and II-D, Water Plant No. 1 - chloramine conversion, surface water interconnect facilities, land and construction costs for the amenity portion of Park Lakes, Phase 1 detention and storm water quality features; land and construction costs for the Canyon Village at Park Lakes Recreational Center; land and construction costs for Canyon Village at Park Lakes Landscape Reserves; and clearing and grubbing to serve Park Lakes, Phase 1 West, Balmoral Lift Station - Phase 1, Water Re-pressurization Station - Phase 1, and Balmoral Drainage Facilities - Phase 1, underground water distribution, wastewater collection, and storm drainage facilities serving Balmoral, Sections 1 through 3, 9 through 14, 17 and 23, and Park Lakes East, Sections 1 through 3 and 7, Balmoral Bend, Balmoral Hills and Ralston Road and the Park Lakes Detention Basin expansion and Detention Basin Phase 2 ; Park Lakes North Detention, Phase II; Park Lakes East Phase I Clearing and Grubbing, Detention Basin Clearing and Grubbing, and Detention Basin Facilities, and other items with portions of the proceeds of the sale of the Prior Bonds. The District will finance the District's cost of construction and acquisition of the amenity portion of Park Lakes detention and storm water quality pond, phases 1 and 2; clearing and grubbing serving Canyon Gate at Park Lakes, Sections 11 and 13, and Park Lakes East, phases 1 and 1a; landscape reserves in sections within Canyon Village at Park Lakes and Canyon Gate at Park Lakes; and land costs for the amenity portion of Park Lakes detention and storm water pond, phases 1 and 2, and for landscape reserves in Canyon Gate at Park Lakes, and other items, with proceeds of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

As of July 1, 2020, the status of lot development and home construction in the District was as follows:

	Lots				Homes				
					Under Construction		Completed		
Subdivision	Developed	Acres	Under Development	Acres	Sold*	Unsold	Sold*	Unsold	Totals
Canyon Village at Park Lakes									
Section 4	177	33.35			0	0	177	0	177
Section 5	141	25.21			0	0	141	0	141
Section 6	138	30.55			0	0	138	0	138
Section 7	111	20.43			0	0	111	0	111
Section 8	144	28.61			0	0	144	0	144
Section 9	82	19.15			0	0	82	0	82
Canyon Gate at Park Lakes									
Section 3	21	16.43			0	0	21	0	21
Section 4	23	9.36			0	0	21	0	21
Section 5	57	17.88			0	0	57	0	57
Section 6	33	23.20			0	0	31	0	31
Section 7	55	13.74			0	0	55	0	55
Section 8	109	45.89			0	0	109	0	109
Section 9	59	29.31			0	0	59	0	59
Section 11	79	32.28			0	0	79	0	79
Section 12	45	12.82			0	0	45	0	45
Section 13	115	33.60			0	0	115	0	115
Section 14	30	13.50			0	0	29	0	29
Section 16	154	33.28			0	0	154	0	154
Balmoral									
Section 1	149	57.43			1	5	131	11	148
Section 2	103	27.26			0	0	103	0	103
Section 3	134	30.02			17	2	60	1	80
Section 9	103	31.28			12	3	51	2	68
Section 10	120	20.32			25	7	42	4	78
Section 11	55	10.47			3	2	14	0	19
Section 12	94	18.46			4	1	0	0	5
Section 13	70	19.23			17	3	32	3	55
Section 14	69	16.55			8	2	1	0	11
Section 16	101	23.51			19	3	20	2	44
Section 17	37	5.68			3	0	0	0	3
Section 23	141	28.57			0	0	0	0	0
Park Lakes East									
Section 1	98	38.28			1	0	91	6	98
Section 2	118	25.70			0	0	113	5	118
Section 3	98	21.24			0	0	86	5	91
Section 4	209	44.04			20	5	118	25	168
Section 5	101	25.14			0	0	0	0	0
Section 6	62	12.44			0	0	0	0	0
Section 7	104	24.73			20	1	49	5	75
Totals	3,539	918.94	0	0	150	34	2,479	69	2,732

* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval and inspection. See "BUILDERS."

DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS

The developer of the 780 fully developed single-family residential lots located within the District which have been subdivided as Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16 is Land Tejas Park Lakes East, Ltd. ("LT") The managing general partner of LT is Land Tejas Companies, Ltd., and its limited partners are the Estate of Courtney P. Grover and Al P. Brende. LT has conveyed all of such 780 fully developed single-family residential lots located within Canyon Gate at Park Lakes, Sections 3 through 9, 11 through 14 and 16 lots to home building companies which have constructed homes on all but five of such lots, all of which homes have been sold to home purchasers. See "BUILDERS." LT has also completed the development of Canyon Gate at Park Lakes, Section 10, consisting of an approximately 3.15 acre recreational reserve. LT has sold approximately 13.17 acres of land located in the District on which the 252-unit Villas at Park Lakes Apartments have been constructed.

The developer of Park Lakes East located within the District is Land Tejas Park Lakes 1023, L.P. ("LTPL"). The general partners of LTPL are Grover Park Lakes 1023, L.L.C., and Brende Park Lakes 1023, L.L.C., which are both Nevada limited liability companies whose managers are the Estate of Courtney P. Grover and Al P. Brende, respectively. LTPL has completed the development of 320 single-family residential lots (approximately 88.71 total acres) that have been subdivided as Park Lakes East, Sections 1, 2, and 7, and has conveyed all 320 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "BUILDERS." LTPL owns no additional undeveloped land located within the District.

Balmoral LT, LLC ("BLT") has completed the development of 1,176 single-family residential lots (a total of approximately 288.78 acres) that have been subdivided as Balmoral, Sections 1 through 3, 9 through 14, 16, 17 and 23, and has conveyed all 1,176 of such lots to home building companies that are currently constructing homes therein as is described below under the caption "BUILDERS." BLT owns approximately 5.92 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to develop as future Balmoral, Section 25.

LGI Homes-Texas, LLC ("LGI") has completed the development of 470 single-family residential lots (approximately 102.86 acres) that have been subdivided as Park Lakes East, Sections 3 through 6 and is currently constructing homes therein as is described below under the caption "BUILDERS." LGI owns no addition land located within the District.

Wilson-Beltway, Ltd. ("W-B") has completed the development of a total of approximately 52.80 acres within the District for commercial usage, on all but approximately 0.92 acres of which commercial above-ground improvements have been constructed.

Neither BLT nor W-B has any obligation to the District to develop any of the aforementioned currently undeveloped acres, and any of such parties may sell any of such acres at any time at its sole discretion. Therefore, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed.

Canyon Project, Ltd. ("CPL") has purchased Canyon Gate at Park Lakes, Section 15, the original development of which (156 single-family residential lots on approximately 32.67 acres) is complete with components of the System and street paving. CPL has abandoned certain initial components of the System and initial street paving to serve approximately 12 of such acres that are now being utilized for future commercial development. The remaining approximately 20 acres are expected to be utilized for multi-family residential and commercial development. Such approximately 20 acres utilize original Section 15 components of the System and street paving. CPL has sold approximately 9.22 of such approximately 32.67 acres to the Harris County Housing Authority which has entered into a ground lease with Sierra Meadows, Ltd., a development entity of Integrated Real Estate Group, which has completed the construction of a subsidized multi-family housing project thereon. Such project is not subject to taxation by the District. CPL has sold approximately 15.73 acres of such approximately 32.67 acres upon which a Firestone auto care center, ShowBiz Cinemas, Staybridge Suites hotel, Blue Wave Car Wash, a retail strip center, a restaurant, auto parts store and a gasoline service station have been constructed. CPL is marketing for sale the remaining acres which are expected to be utilized for future commercial development. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that any future above-ground improvements will be constructed thereon.

LT, LTPL and BLT are entities related to the Land Tejas Companies or to its principal shareholders, Al P. Brende and the Estate of Courtney P. Grover. Collective reference is made in this Official Statement to LTPL, BLT, LGI and CPL as the “Developers.”

BUILDERS

Gehan Homes, DR Horton, Westin Homes, History Maker Homes, Colina Homes, Castlerock Communities, Anglia Homes, Lake Ridge Builders, K. Hovnanian Homes, Censeo Homes and LGI are currently constructing homes in Balmoral and Park Lakes East within the District. Collective reference is made in this Official Statement to such home building companies as the “Builders.”

The Builders are currently constructing homes in the District which range from approximately 1,400 to 3,477 square feet in size of living area and in sales price from approximately $179,000 to $337,000. The Builders may change the size(s) and the type(s) of homes which it elects to build, and the sales prices thereof, at their sole discretion. There can be no assurance that any of the Builders will continue to construct homes within the District.

FUTURE DEVELOPMENT

As of the date of this Official Statement, the development of 3,539 single-family residential lots on a total of approximately 918.94 acres and two recreational reserves totaling approximately 6.58 acres has been completed, and a total of approximately 93.5 acres designated for commercial and/or multi-family residential usage has been developed within the District on all but approximately 2.59 acres of which commercial above-ground improvements totaling approximately 621,786 square feet of building area have been constructed. In addition, the 252-unit Villas at Park Lakes Apartments have been constructed on approximately 13.17 acres of land located within the District. W-B (defined above under the caption “DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS”), owns approximately 0.92 acres of such land that are available for the construction of future above-ground improvements. The aforementioned approximately 93.5 acres designated for commercial and/or multi-family residential usage includes the redevelopment of Canyon Gate at Park Lakes, Section 15 (originally 156 single-family residential lots on approximately 32.67 acres). CPL has abandoned certain initial components of the System and initial street paving to serve approximately 12 of such acres that are now being utilized for future commercial development. The remaining approximately 20 acres are expected to be utilized for multi-family residential and commercial development. Such approximately 20 acres utilize original Section 15 components of the System and street paving. CPL has sold approximately 9.22 of such approximately 32.67 acres to the Harris County Housing Authority which has entered into a ground lease with Sierra Meadows, Ltd., a development entity of Integrated Real Estate Group, which has completed the construction of a subsidized multi-family housing project thereon. Such project is not subject to taxation by the District. CPL has sold approximately 15.73 acres of such approximately 32.67 acres upon which a Firestone auto care center, ShowBiz Cinemas, Staybridge Suites hotel, Blue Wave Car Wash, a retail strip center, a restaurant, auto parts store and a gasoline service station have been constructed. CPL is marketing for sale the remaining acres which are expected to be utilized for future commercial development. Since no party is under any obligation to the District to construct any above-ground improvements on any portion of the remainder of such acres upon which no above-ground improvements have been constructed, the District cannot represent that future above-ground improvements will be constructed thereon. As is described above under the caption “DEVELOPERS AND OTHER PRINCIPAL LANDOWNERS,” LTPL owns no acres of currently undeveloped land located within the District that are available for future development, BLT owns approximately 5.92 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development. Since none of BLT, CPL, or W-B has any obligation to the District to develop any of such currently undeveloped acres according to any specific plan, timetable, or at all, and any of such parties owning such land may sell any of such acres at any time at its sole discretion, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. Approximately 64.75 acres located within the District are owned by the Humble Independent School District on approximately 12.45 acres of which a middle school has been constructed and on approximately 52.3 acres of which an elementary school has been constructed and a middle school is planned. The balance of the land located within the District is contained within various easements or rights-of-way, or are otherwise not available for future development. If any undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the $69,345,000 authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District and to increase the District's water supply and wastewater treatment facilities as described below under the caption “THE SYSTEM.” In addition to the components of the System and the recreational facilities that the District has financed with the proceeds of the Prior Bonds, the District anticipates financing its cost of acquiring or constructing additional components of the System, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ.

Description

The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 1,318.79 acres is 4,433 with a total estimated population of 13,707 people. The following descriptions are based upon an estimate of 3 people/connection supplied by the District's Engineer. The System presently serves a total of 3,539 ESFCs, consisting of the 3,539 single-family residential lots and other property that have been developed within the District that are described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” The District financed the cost of acquiring or constructing certain components of the System as described above under such caption with portions of the proceeds of the sale of the Prior Bonds. The District will finance the District’s cost of construction and acquisition of the amenity portion of Park Lakes detention and storm water quality pond, phases 1 and 2; clearing and grubbing serving Canyon Gate at Park Lakes, Sections 11 and 13, and Park Lakes East, phases 1 and 1a; landscape reserves in sections within Canyon Village at Park Lakes and Canyon Gate at Park Lakes; and land costs for the amenity portion of Park Lakes detention and storm water pond, phases 1 and 2, and for landscape reserves in Canyon Gate at Park Lakes, and other items, with proceeds of the Bonds as is enumerated in this Official Statement under the caption “USE AND DISTRIBUTION OF BOND PROCEEDS.” The District anticipates financing its cost of acquiring or constructing additional components of the System, and other facilities, including recreational facilities, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. The District anticipates issuing its approximately $5,165,000 Unlimited Tax Refunding Bonds, Series 2020C in approximately the fourth quarter of 2020 to refund certain outstanding bonds of the District. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Water Supply

Water supply for the District service area of Water Plant No. 1 consists of groundwater supplied by facilities that are owned by the District, which currently consist of one well that contains 1,700 gallons-per-minute (“gpm”) of capacity, 30,000 gallons of pressure tank capacity, a 508,000 gallon ground storage tank, and booster pumps totaling 4,000 gpm of capacity. According to the District's Engineer, such water supply facilities are capable of serving approximately 2,500 ESFCs. Water supply for the District service area of Water Plant No. 2 consists of surface water supplied by facilities owned by the City of Houston which include an existing 12-inch metered interconnect. Water Plant No. 2 supply facilities owned by the District consist of 40,000 gallons of pressure tank capacity, 1,350,000 gallons of ground storage tank capacity, and booster pumps totaling 5,500 gpm of capacity. According to the District’s Engineer, such water supply facilities are currently capable of serving 2,076 ESFCs, water for which is supplied pursuant to a water supply and groundwater reduction plan contract with the City of Houston effective June 30, 2005, that is referenced below.

The District has two emergency water distribution interconnection lines that connect the District's water distribution facilities with the water distribution facilities of the adjoining Harris County Water Control and Improvement District No. 96 and Harris County Municipal Utility District No. 49. The District has constructed two water interconnection lines that connect to the City of Houston 84-inch surface water line along Beltway 8. According to the District's Engineer, such water interconnection line and associated re-pressurization facility currently is permitted to serve 3,538 ESFCs. The District lies in an area which, according to the Harris-Galveston Subsidence District, must reduce ground water withdrawal to 20% of total water use by the year 2035. The District has entered into a water supply and groundwater reduction plan contract with the City of Houston, effective June 30, 2005, under which the District is included in the City's groundwater reduction plan.

Wastewater Treatment

Wastewater treatment for the District in the Wastewater Treatment Plant No. 1 service area is being provided by an 800,000 gallons-per-day ("gpd") permanent plant. Based on 300 gpd/ESFC, the 800,000 gpd permanent wastewater treatment plant has capacity sufficient to serve 2,667 ESFCs. The District financed the cost of constructing the permanent wastewater treatment plant with a portion of the proceeds of the sale of the Prior Bonds. The District has entered into a Lease Agreement with Option to Purchase for an interim packaged wastewater treatment plant (the "Interim WWTP") for the service area of Wastewater Treatment Plant No. 2. Phases I and II of the Interim WWTP, which are complete, consist of 600,000 gpd of capacity. Based upon 300 gpd/ESFC, the Interim WWTP currently has sufficient capacity to serve 2,000 ESFCs, of which the District owns 707 ESFCs of capacity. The Phase III expansion of Interim WWTP, which is currently in the planning phase, will provide the remaining necessary capacity of 1,344 ESFCs to serve the Balmoral and Park Lakes East developments.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

Approximately 230 acres located within the District are designated as lying within the 100-Year Flood Zone AE, and additionally,179 acres within shaded Zone X, or 500-Year Flood Zone as determined by the Federal Emergency Agency ("FEMA") Flood Insurance Rate Map ("FIRM"), Map Numbers 48201C0485M, 48201C0505M, and 48201C0515M, Harris County, Texas, and Incorporated Areas, dated June 9, 2014, and 48201C0495L Harris County, Texas, and Incorporated Areas, dated June 18, 2007.

Canyon Gate at Park Lakes, Sections 5, 7, 8, 9, 13, 15 and 16 are located within the 100-year flood plain. Except for Canyon Gate at Park Lakes, Section 7, these areas have been filled to a level that will bring the areas out of the 100-year flood plain as shown on the June 18, 2007, Flood Insurance Rate Maps. A LOMR-F was submitted to and approved by FEMA to remove Canyon Gate at Park Lakes, Sections 5, 8, 9, 13, 15 and 16 from the 100-year flood plain. Canyon Gate at Park Lakes, Section 7 was filled to a level that will bring the area out of the 100-year flood plain as shown on the TSARP Preliminary Flood Insurance Rate Maps and the appropriate protest information was submitted for a map revision. A portion of Canyon Gate at Park Lakes, Section 7 remained in the 100-year flood plain due to differences in the TSARP Preliminary Flood Insurance Maps and the adopted June 18, 2007 Flood Insurance Rate Maps. All remaining areas will be filled to a level that will bring the areas out of the 100-year flood plain by flood plain mitigation except an approximately 8.75-acre reserve located in the northeast corner of the District, the 2.06-acre drill site in the southeast corner of the District and the detention facilities currently shown in the 100-year flood plain.

Balmoral Park Lakes East Section 3 and 7 are located within the 100-year floodplain. This area has been filled to a level that will bring the area out of the 100-year floodplain as shown on the June 9, 2014, Flood Insurance Rate Maps. A LOMR-F was submitted and approved by FEMA to remove Balmoral Park Lakes East Sections 3 and 7 from the 100-year floodplain.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas estimates for the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study, which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "TAX PROCEDURES," "THE DISTRICT - General," - "Management of the District - Bond Counsel and General Counsel," - "Strategic Partnership Agreement," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

Not Qualified Tax-Exempt Obligations

The Bonds will **not** be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title to the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

SOURCES OF INFORMATION

General

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

The financial statements of the District as of February 29, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX B.”

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION," FUTURE DEVELOPMENT," and "THE SYSTEM," has been provided by Jones & Carter, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and Wheeler and Associates, Inc. The District has included certain information herein in reliance upon said firm's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

GENERAL CONSIDERATIONS

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events.

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," and in "APPENDIX B." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2021. The District will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements 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 to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently the last day of February. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain 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 determination 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 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 SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

The District is in compliance in all material respects with the continuing disclosure agreements that it made in accordance with SEC Rule 15c2-12 in connection with the Prior Bonds.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 400 as of the date shown on the first page hereof.

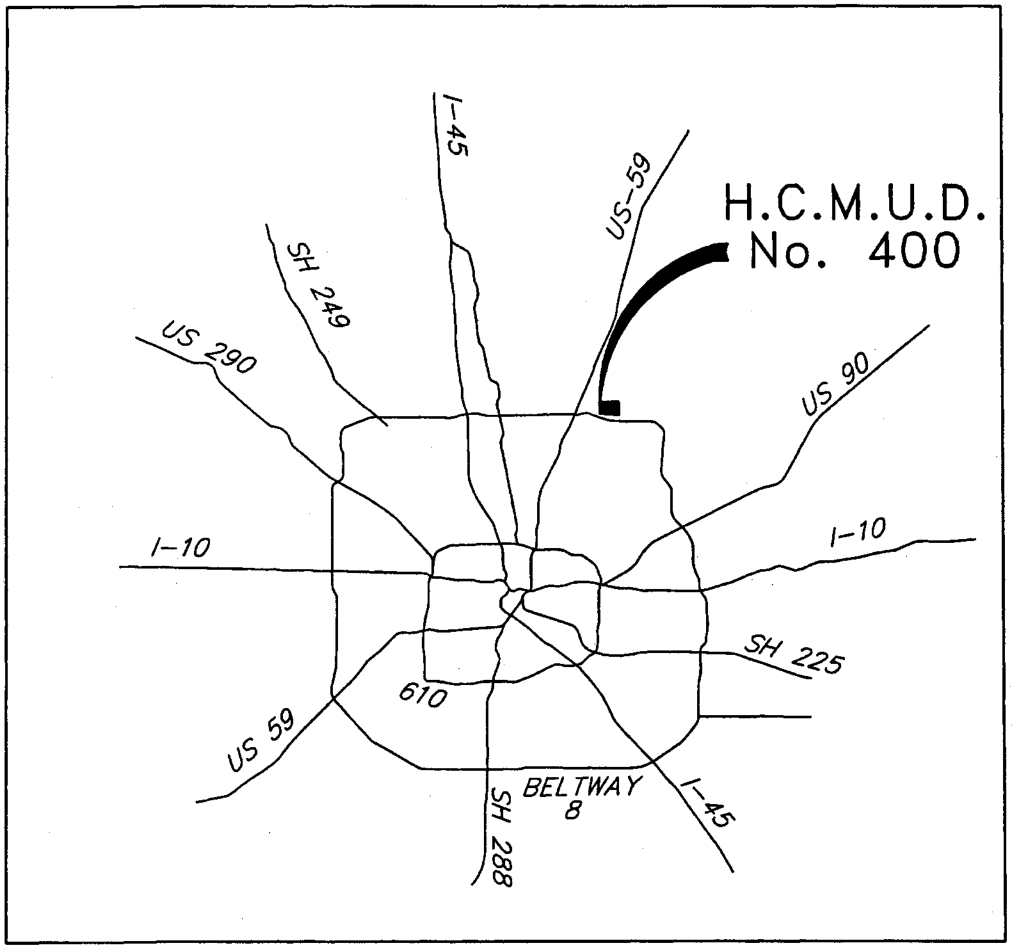
/s/ Gerald Jones, Jr.
President, Board of Directors
Harris County Municipal
Utility District No. 400

ATTEST:

/s/ Cheryl Smith
Secretary, Board of Directors
Harris County Municipal
Utility District No. 400

APPENDIX A

LOCATION MAP



HARRIS COUNTY AREA MAP

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT No. 400

LOCATION MAP

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 400

HARRIS COUNTY, TEXAS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FEBRUARY 29, 2020

Harris County Municipal Utility District No. 400

Harris County, Texas

Independent Auditor's Report and Financial Statements

February 29, 2020

Harris County Municipal Utility District No. 400

February 29, 2020

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 400
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 400 (the District), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 entity'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 February 29, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
July 21, 2020

Harris County Municipal Utility District No. 400
Management's Discussion and Analysis
February 29, 2020

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2020	2019
Current and other assets	$ 30,221,339	$ 24,890,173
Capital assets	52,421,853	47,782,038
Total assets	82,643,192	72,672,211
Deferred outflows of resources	1,449,325	1,539,842
Total assets and deferred outflows of resources	$ 84,092,517	$ 74,212,053
Long-term liabilities	$ 76,776,319	$ 66,343,441
Other liabilities	6,706,374	6,557,831
Total liabilities	83,482,693	72,901,272
Net position:		
Net investment in capital assets	(20,631,171)	(13,351,418)
Restricted	7,382,128	6,202,121
Unrestricted	13,858,867	8,460,078
Total net position	$ 609,824	$ 1,310,781

The total net position of the District decreased by $700,957, or about 53 percent. The majority of the decrease in net position is related to depreciation expense on the District's capital assets.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At February 29, 2020, the net investment in capital assets was $(20,631,171). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	$ 5,453,349	$ 4,635,294
City of Houston rebates	507,238	478,457
Charges for services	3,456,803	2,716,531
Other revenues	3,020,507	1,510,616
Total revenues	12,437,897	9,340,898
Expenses:		
Services	4,768,914	3,892,026
Conveyance of capital assets	4,441,150	1,847,898
Depreciation	821,472	724,124
Debt service	3,107,318	2,412,769
Total expenses	13,138,854	8,876,817
Change in net position	(700,957)	464,081
Net position, beginning of year	1,310,781	846,700
Net position, end of year	$ 609,824	$ 1,310,781

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended February 29, 2020, were $23,240,032, an increase of $5,120,039 from the prior year.

The general fund's fund balance increased by $5,382,509 due to property taxes, City of Houston (the City) rebates, and service revenues as well as an interfund transfer from the capital projects fund exceeding service operations and capital outlay expenditures. In addition, tap connection and inspection fees revenues exceeded related expenditures.

The wastewater treatment plant and water plants' fund balances remained the same as all expenditures were billed to the participants.

The debt service fund's fund balance increased by $1,001,379, primarily due to property tax revenues exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by $1,263,849, primarily due to capital outlay expenditures, debt issuance costs and an interfund transfer to the general fund exceeding proceeds received from the Series 2020 bond sale and investment income in the current year.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and tap connection and inspection fees revenues and purchased services expenditures being greater than anticipated, as well as repairs and maintenance, surface water conversion and capital outlay expenditures being less than anticipated. In addition, other income, proceeds from sale of capacity and interfund transfers were not included in the current year budget. The fund balance as of February 29, 2020, was expected to be $8,543,257 and the actual end-of-year fund balance was $13,771,086.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	$ 26,206,269	$ 26,264,875
Construction in progress	1,497,208	83,052
Water facilities	10,405,101	9,253,742
Wastewater facilities	14,171,296	12,025,482
Recreational facilities	141,979	154,887
Total capital assets	$ 52,421,853	$ 47,782,038

During the current year, additions to capital assets were as follows:

Construction in progress related to the water plant No. 2 expansion, 12" waterline extension across Garners Bayou and Williams Gully, water plant No. 1 ground storage tank and surface water meter station, Park Lakes Amenity Center renovation and Balmoral lift station No. 1 expansion	$ 1,414,156
Park Lakes detention basin expansion facilities	50,758
Water and sewer facilities to serve Balmoral, Section Nos. 3, 9, 10, 11, 12, 13, 14 16, 17 and 23; Balmoral Bend and Balmoral Hills, Section 9; Balmoral Park Lakes East, Section 7; Ralston Road extension and Woodland Hills extension	3,880,397
Fence at wastewater treatment plant No. 1	28,350
Wastewater treatment plant No. 1 on-site lift station pump replacement	91,150
Sewer treatment plant No. 1 lease buyout	105,840
Total additions to capital assets	$ 5,570,651

Developers within the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of February 29, 2020, a liability for developer-constructed capital assets of $8,624,839 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended February 29, 2020, are summarized as follows.

Long-term debt payable, beginning of year	$ 66,343,441
Increases in long-term debt	23,328,350
Decreases in long-term debt	(12,895,472)
Long-term debt payable, end of year	$ 76,776,319

At February 29, 2020, the District had $74,295,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. Additionally, at February 29, 2020, the District had $3,245,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing and improving recreational facilities within the District.

The District's bonds carry an underlying rating of "BBB" from Standard & Poor's (S&P) and "A3" from Moody's Investors Service. The Series 2013, 2017 and 2020 bonds carry a rating of "AA" from S&P by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013A refunding, Series 2015 refunding, Series 2019A refunding and Series 2019B refunding bonds carry a rating of "AA" from S&P by virtue of bond insurance issued by Municipal Assurance Company. The Series 2014 refunding and Series 2016 bonds carry a rating of "AA" from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the effective date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately $1,466,800. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On May 26, 2020, the District sold its $2,870,000 Bond Anticipation Note at an interest rate of 0.93 percent. The note was sold to finance construction projects within the District.

Harris County Municipal Utility District No. 400

Statement of Net Position and Governmental Funds Balance Sheet

February 29, 2020

	General Fund	Wastewater Treatment Plant	Water Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash	$ 481,482	$ 208,446	$ 138,011	$ 546,071	$ 2,034,749	$ 3,408,759	$ -	$ 3,408,759
Certificates of deposit	3,600,000	-	-	2,165,000	-	5,765,000	-	5,765,000
Short-term investments	9,800,486	574,935	891,026	4,366,442	4,386,565	20,019,454	-	20,019,454
Receivables:								
Property taxes	49,851	-	-	151,910	-	201,761	-	201,761
Service accounts	295,263	-	-	-	-	295,263	-	295,263
Tax rebates	88,692	-	-	-	-	88,692	37,930	126,622
Accrued interest	48,459	-	-	20,877	-	69,336	-	69,336
Accrued penalty and interest	-	-	-	-	-	-	35,242	35,242
Interfund receivable	1,080,031	23,258	445,037	-	-	1,548,326	(1,548,326)	-
Due from participants	-	67,032	87,897	-	-	154,929	-	154,929
Due from others	63,899	-	-	-	-	63,899	-	63,899
Prepaid expenditures	17,474	63,600	-	-	-	81,074	-	81,074
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	26,206,269	26,206,269
Construction in progress	-	-	-	-	-	-	1,497,208	1,497,208
Infrastructure	-	-	-	-	-	-	24,576,397	24,576,397
Recreational facilities	-	-	-	-	-	-	141,979	141,979
Total assets	15,525,637	937,271	1,561,971	7,250,300	6,421,314	31,696,493	50,946,699	82,643,192
Deferred Outflows of Resources								
Deferred amount on debt refundings	0	0	0	0	0	0	1,449,325	1,449,325
Total assets and deferred outflows of resources	$ 15,525,637	$ 937,271	$ 1,561,971	$ 7,250,300	$ 6,421,314	$ 31,696,493	$ 52,396,024	$ 84,092,517

Harris County Municipal Utility District No. 400
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
February 29, 2020

	General Fund	Wastewater Treatment Plant	Water Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities								
Accounts payable	$ 262,353	$ 19,099	$ 566,235	$ 14,542	$ 3,802,243	$ 4,664,472	$ -	$ 4,664,472
Accrued interest payable	-	-	-	26,408	-	26,408	-	26,408
Retainage payable	-	-	122,120	-	-	122,120	-	122,120
Customer deposits	424,842	-	-	-	-	424,842	-	424,842
Due to others	549,210	574,935	151,031	-	-	1,275,176	-	1,275,176
Operating reserve	-	190,190	3,166	-	-	193,356	-	193,356
Interfund payable	468,295	-	703,915	376,116	-	1,548,326	(1,548,326)	-
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,310,000	1,310,000
Due after one year	-	-	-	-	-	-	75,466,319	75,466,319
Total liabilities	1,704,700	784,224	1,546,467	417,066	3,802,243	8,254,700	75,227,993	83,482,693
Deferred Inflows of Resources								
Deferred property tax revenues	49,851	0	0	151,910	0	201,761	(201,761)	0
Fund Balances/Net Position								
Fund balances:								
Nonspendable, prepaid expenditures	17,474	63,600	-	-	-	81,074	(81,074)	-
Restricted:								
Water, sewer and drainage	-	-	-	-	2,619,071	2,619,071	(2,619,071)	-
Debt service on unlimited tax bonds	-	-	-	6,681,324	-	6,681,324	(6,681,324)	-
Committed:								
Wastewater collection and treatment	-	89,447	-	-	-	89,447	(89,447)	-
Water production and distribution	-	-	15,504	-	-	15,504	(15,504)	-
Unassigned	13,753,612	-	-	-	-	13,753,612	(13,753,612)	-
Total fund balances	13,771,086	153,047	15,504	6,681,324	2,619,071	23,240,032	(23,240,032)	0
Total liabilities, deferred inflows of resources and fund balances	$ 15,525,637	$ 937,271	$ 1,561,971	$ 7,250,300	$ 6,421,314	$ 31,696,493		
Net position:								
Net investment in capital assets							(20,631,171)	(20,631,171)
Restricted for debt service							6,868,476	6,868,476
Restricted for plant operations							168,551	168,551
Restricted for capital projects							345,101	345,101
Unrestricted							13,858,867	13,858,867
Total net position							$ 609,824	$ 609,824

Harris County Municipal Utility District No. 400
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
Year Ended February 29, 2020

	General Fund	Wastewater Treatment Plant	Water Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues								
Property taxes	$ 1,302,343	$ -	$ -	$ 4,100,181	$ -	$ 5,402,524	$ 50,825	$ 5,453,349
City of Houston rebates	504,790	-	-	-	-	504,790	2,448	507,238
Water service	943,275	-	688,331	-	-	1,631,606	(567,966)	1,063,640
Sewer service	1,247,411	1,090,903	-	-	-	2,338,314	(663,702)	1,674,612
Surface water conversion	718,551	-	-	-	-	718,551	-	718,551
Penalty and interest	110,723	-	-	186,596	-	297,319	9,311	306,630
Tap connection and inspection fees	1,188,895	-	-	-	-	1,188,895	-	1,188,895
Investment income	228,818	1,591	87	123,013	132,361	485,870	-	485,870
Other income	387,903	-	-	-	-	387,903	651,209	1,039,112
Total revenues	6,632,709	1,092,494	688,418	4,409,790	132,361	12,955,772	(517,875)	12,437,897
Expenditures/Expenses								
Service operations:								
Purchased services	1,218,283	-	603,904	-	-	1,822,187	(984,416)	837,771
Surface water conversion	80,687	-	-	-	-	80,687	-	80,687
Professional fees	280,432	17,276	17,679	6,044	-	321,431	23,100	344,531
Contracted services	887,671	33,031	24,728	78,490	-	1,023,920	3,142	1,027,062
Lease payments	-	441,400	-	-	-	441,400	-	441,400
Solid waste	-	1,198	-	-	-	1,198	-	1,198
Utilities	190,515	58,449	8,308	-	-	257,272	-	257,272
Repairs and maintenance	990,617	174,645	28,146	-	-	1,193,408	3,715	1,197,123
Other expenditures	161,982	9,688	5,653	17,109	37	194,469	30,584	225,053
Tap connections	356,817	-	-	-	-	356,817	-	356,817
Capital outlay	1,564,240	356,807	-	-	10,282,663	12,203,710	(12,203,710)	-
Conveyance of capital assets	-	-	-	-	-	-	4,441,150	4,441,150
Depreciation	-	-	-	-	-	-	821,472	821,472
Debt service:								
Principal retirement	-	-	-	1,260,000	7,240,000	8,500,000	(8,500,000)	-
Interest and fees	-	-	-	2,045,833	127,199	2,173,032	90,175	2,263,207
Debt issuance costs	25,079	-	-	935	818,097	844,111	-	844,111
Total expenditures/expenses	5,756,323	1,092,494	688,418	3,408,411	18,467,996	29,413,642	(16,274,788)	13,138,854
Excess (Deficiency) of Revenues Over Expenditures	876,386	-	-	1,001,379	(18,335,635)	(16,457,870)	15,756,913	

Harris County Municipal Utility District No. 400

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended February 29, 2020

	General Fund	Wastewater Treatment Plant	Water Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)								
Interfund transfers in (out)	$ 3,854,914	$ -	$ -	$ -	$ (3,854,914)	$ -	$ -	
Proceeds from sale of capacity	651,209	-	-	-	-	651,209	(651,209)	
General obligation bonds issued	-	-	-	-	14,110,000	14,110,000	(14,110,000)	
Discount on debt issued	-	-	-	-	(423,300)	(423,300)	423,300	
Bond anticipation notes issued	-	-	-	-	7,240,000	7,240,000	(7,240,000)	
Total other financing sources	4,506,123	0	0	0	17,071,786	21,577,909	(21,577,909)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,382,509	-	-	1,001,379	(1,263,849)	5,120,039	(5,120,039)	
Change in Net Position							(700,957)	$ (700,957)
Fund Balances/Net Position								
Beginning of year	8,388,577	153,047	15,504	5,679,945	3,882,920	18,119,993	-	1,310,781
End of year	$ 13,771,086	$ 153,047	$ 15,504	$ 6,681,324	$ 2,619,071	$ 23,240,032	$ 0	$ 609,824

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 400 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective July 19, 2004, in accordance with the Constitution of the State of Texas and the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Funds (Wastewater Treatment Plant Fund and Water Plant Fund) – The special revenue funds accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended February 29, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended February 29, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Recreational facilities	10-20

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

The District has financed drainage facilities, which have been or will be assumed by Harris County for maintenance and other incidents of ownership, which has caused long-term debt to be in excess of capital assets.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	52,421,853
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		201,761

Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	$	35,242
Amounts due from the City of Houston (the City) are not receivable in the current period and are not reported in the funds.		37,930
Deferred amount on debt refundings for the governmental activities are not financial resources and are not reported in the funds.		1,449,325
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(76,776,319)
Adjustment to fund balances to arrive at net position.	$	(22,630,208)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$	5,120,039
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation, conveyance of capital assets and noncapitalized costs in the current period.		6,633,295
Governmental funds report proceeds from sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(12,850,000)
Governmental funds report the effect premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		423,300
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.		62,584
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(90,175)
Change in net position of governmental activities.	$	(700,957)

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At February 29, 2020, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempt to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At February 29, 2020, the District has the following investment and maturities.

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas CLASS	$ 20,019,454	$ 20,019,454	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At February 29, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at February 29, 2020, as follows:

Carrying value:	
Deposits	$ 9,173,759
Investments	20,019,454
Total	$ 29,193,213

Included in the following statement of net position captions:

Cash	$ 3,408,759
Certificates of deposit	5,765,000
Short-term investments	20,019,454
Total	$ 29,193,213

Investment Income

Investment income of $485,870 for the year ended February 29, 2020, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of February 29, 2020:

- Pooled investments of $20,019,454 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 400
Notes to Financial Statements
February 29, 2020

Note 3: Capital Assets

A summary of changes in capital assets for the year ended February 29, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 26,264,875	$ 50,758	$ (109,364)	$ 26,206,269
Construction in progress	83,052	1,414,156	-	1,497,208
Total capital assets, non-depreciable	26,347,927	1,464,914	(109,364)	27,703,477
Capital assets, depreciable:				
Water production and distribution facilities	11,521,290	1,464,605	-	12,985,895
Wastewater collection and treatment facilities	15,685,530	2,641,132	-	18,326,662
Recreational facilities	193,608	-	-	193,608
Total capital assets, depreciable	27,400,428	4,105,737	0	31,506,165
Less accumulated depreciation:				
Water production and distribution facilities	(2,267,548)	(313,246)	-	(2,580,794)
Wastewater collection and treatment facilities	(3,660,048)	(495,318)	-	(4,155,366)
Recreational facilities	(38,721)	(12,908)	-	(51,629)
Total accumulated depreciation	(5,966,317)	(821,472)	0	(6,787,789)
Total governmental activities, net	$ 47,782,038	$ 4,749,179	$ (109,364)	$ 52,421,853

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended February 29, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 56,440,000	$ 14,110,000	$ 1,260,000	$ 69,290,000	$ 1,310,000
Add premiums on bonds	300,749	-	29,211	271,538	-
Less discounts on bonds	1,015,627	423,300	28,869	1,410,058	-
	55,725,122	13,686,700	1,260,342	68,151,480	1,310,000
Bond anticipation note	-	7,240,000	7,240,000	-	-
Due to developers for construction	10,618,319	2,401,650	4,395,130	8,624,839	-
Total governmental activities long-term liabilities	$ 66,343,441	$ 23,328,350	$ 12,895,472	$ 76,776,319	$ 1,310,000

General Obligation Bonds

	Series 2010	Series 2011
Amounts outstanding, February 29, 2020	$55,000	$50,000
Interest rates	4.40%	4.00%
Maturity dates, serially beginning/ending	September 1, 2020	September 1, 2020/2021
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2017	September 1, 2018

	Series 2013	Refunding Series 2013A
Amounts outstanding, February 29, 2020	$2,150,000	$4,350,000
Interest rates	3.55% to 5.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2020/2037	September 1, 2020/2025
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2020	September 1, 2020

	Refunding Series 2014	Refunding Series 2015
Amounts outstanding, February 29, 2020	$9,445,000	$9,265,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2020/2035	September 1, 2020/2036
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2021	September 1, 2022

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

	Series 2016	Series 2017
Amounts outstanding, February 29, 2020	$15,150,000	$11,660,000
Interest rates	3.25% to 4.00%	3.50% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2020/2042	September 1, 2020/2047
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2023	September 1, 2024

	Refunding Series 2019A	Refunding Series 2019B
Amounts outstanding, February 29, 2020	$1,180,000	$1,875,000
Interest rates	3.00% to 4.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2020/2036	September 1, 2020/2037
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2024

	Series 2020
Amount outstanding, February 29, 2020	$14,110,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2022/2049
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2025

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District has been paying the amount due March 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at February 29, 2020:

Year	Principal	Interest	Total
2021	$ 1,310,000	$ 2,394,474	$ 3,704,474
2022	1,350,000	2,323,194	3,673,194
2023	1,515,000	2,273,594	3,788,594
2024	1,565,000	2,214,843	3,779,843
2025	1,600,000	2,155,020	3,755,020
2026-2030	8,750,000	9,835,189	18,585,189
2031-2035	10,300,000	8,118,695	18,418,695
2036-2040	12,845,000	5,919,521	18,764,521
2041-2045	14,125,000	3,544,124	17,669,124
2046-2050	15,930,000	1,193,507	17,123,507
Total	$ 69,290,000	$ 39,972,161	$ 109,262,161

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	$ 150,000,000
Bonds sold	75,705,000
Recreation bonds voted	4,835,000
Recreation bonds sold	1,590,000
Refunding bonds voted	154,835,000
Refunding bond authorization used	1,845,000

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $8,624,839. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

A. 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. During the year ended February 29, 2020, the District levied an ad valorem debt service tax at the rate of $0.6600 per $100 of assessed valuation, which resulted in a tax levy of $4,131,423 on the taxable valuation of $625,974,820 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $3,541,787, of which $1,009,247 has been paid and $2,532,540 is due September 1, 2020.

B. The Commission required the District to escrow $1,008,769 from the proceeds of its Series 2020 bonds. At February 29, 2020, the escrowed funds were invested in a money market account.

C. During the current year, the District transferred $3,854,914 from the capital projects fund to the general fund. The transfer was in accordance of the rules of the Commission.

Note 6: Maintenance Taxes

At an election held November 2, 2004, voters authorized a maintenance tax not to exceed $1.35 per $100 valuation on all property within the District subject to taxation. During the year ended February 29, 2020, the District levied an ad valorem maintenance tax at the rate of $0.2100 per $100 of assessed valuation, which resulted in a tax levy of $1,314,544 on the taxable valuation of $625,974,820 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Groundwater Reduction Plan Agreement

The District is within the boundaries of the Harris-Galveston Subsidence District (the Subsidence District), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Subsidence District. In 1999, the Subsidence District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water. The District has entered into a Groundwater Reduction Plan Agreement (GRPA) with the City of Houston (the City) in order to meet the Subsidence District's requirements. As a participant in the GRPA, the District has complied with all Subsidence District requirements for surface water conversion, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City in the future. For the year ended February 29, 2020, the District had incurred fees totaling $80,687 for groundwater withdrawal. In addition, the District incurred fees totaling $837,771 for surface water from the City.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9: Strategic Partnership Agreement

Effective December 20, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded $507,238 in revenue related to the Agreement.

Note 10: Wastewater Treatment Plant Leases

During a prior year, the District entered into a lease of a 200,000-gallons-per-day (gpd) wastewater treatment plant. The lease requires monthly payments of $14,950, for a term of 60 months, expiring July 2019. During the current year, the District purchased the plant for $350,000. The District recorded expenditures of $59,800 under the terms of this lease.

In conjunction with the construction of and expansion of the wastewater treatment plant, on April 24, 2017, the District entered into a lease agreement of a 400,000-gpd wastewater treatment plant that requires monthly payments of $31,800, for a term of 60 months. During the current year, the District recorded payments totaling $381,600 under the terms of this lease.

Note 11: Due to Others

In 2012, Humble Independent School District deposited funds with the District related to the construction of water and sanitary sewer facilities to service two school sites. At February 29, 2020, the construction of those facilities is ongoing and the amount of the construction deposits remaining is $549,000.

In conjunction with the construction of a water treatment plant expansion, the District is currently holding construction deposits from participants at February 29, 2020, in the amount of $852,274.

Note 12: Contract With Other Districts

The District, Harris County Municipal Utility District No. 422 (No. 422), Harris County Municipal Utility District No. 423 (No. 423), Harris County Municipal Utility District No. 499 (No. 499) and Harris County Fresh Water Supply District No. 48 (No. 48) entered into a regional wastewater treatment plant agreement on July 1, 2008, and as amended and restated. The agreement provides for the construction and operation of an interim regional wastewater treatment plant with an on-site lift station with ultimate capacity to treat approximately 600,000 gpd. The proportionate shares of the interim plant are allocated at 35.33 percent for the District, 34.22 percent for No. 499, 11.75 percent for No. 422, 13.50 percent for No. 423 and 5.20 percent for No. 48.

Operations of the wastewater treatment plant are accounted for in the wastewater treatment plant fund. Operating costs are billed between fixed expenditures, based on each districts proportionate share, and variable expenditures, based on each districts active equivalent single-family connections. Transactions for the current year are summarized as follows:

	The District	District No. 499	District No. 422	District No. 423	District No. 48	Total
Receivable, beginning of year	$ 31,834	$ 40,312	$ 20,441	$ 15,131	$ 5,489	$ 113,207
Billings	416,449	365,417	153,231	118,372	37,434	1,090,903
Collections	(425,025)	(384,904)	(157,703)	(115,239)	(30,949)	(1,113,820)
Receivable, end of year	$ 23,258	$ 20,825	$ 15,969	$ 18,264	$ 11,974	$ 90,290
Operating deposit	$ 153,047	$ 65,028	$ 71,663	$ 40,384	$ 13,115	$ 343,237

The District and Harris County Municipal Utility District No. 423 (No. 423) entered into a water facilities agreement on December 18, 2017. The agreement provides for the construction and operation of a water treatment plant to provide 2,500 total connections of potable water supply, distribution capacity and to provide for the maintenance and operation of the water re-pressurization facility. The proportionate shares of the plant are allocated at 83.04 percent for the District and 16.96 percent for No. 423.

Operations of the water plant are accounted for in the water plant fund. Operating costs are billed between fixed expenditures, based on each district's proportionate share, and variable expenditures, based on each districts active equivalent single-family connections. Transactions for the current year are summarized as follows.

	The District	District No. 423	Total
Receivable, beginning of year	$ 208	$ 3,650	$ 3,858
Billings	567,966	120,365	688,331
Collections	(123,137)	(36,118)	(159,255)
Receivable, end of year	$ 445,037	$ 87,897	$ 532,934
Operating deposit	$ 15,504	$ 3,166	$ 18,670

Note 13: Contingencies

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately $1,466,800. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 14: Subsequent Event

On May 26, 2020, the District sold its $2,870,000 Bond Anticipation Note at an interest rate of 0.93 percent. The note was sold to finance construction projects within the District.

Note 15: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Harris County Municipal Utility District No. 400
Budgetary Comparison Schedule – General Fund
Year Ended February 29, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,045,253	$ 1,302,343	$ 257,090
City of Houston rebates	520,000	504,790	(15,210)
Water service	844,100	943,275	99,175
Sewer service	1,283,700	1,247,411	(36,289)
Surface water conversion	614,400	718,551	104,151
Penalty and interest	82,071	110,723	28,652
Tap connection and inspection fees	958,519	1,188,895	230,376
Investment income	135,025	228,818	93,793
Other income	-	387,903	387,903
Total revenues	5,483,068	6,632,709	1,149,641
Expenditures			
Service operations:			
Purchased services	412,452	1,218,283	(805,831)
Surface water conversion	234,400	80,687	153,713
Professional fees	272,500	280,432	(7,932)
Contracted services	771,434	887,671	(116,237)
Utilities	215,500	190,515	24,985
Repairs and maintenance	1,125,388	990,617	134,771
Other expenditures	167,300	161,982	5,318
Tap connections	408,929	356,817	52,112
Capital outlay	1,720,485	1,564,240	156,245
Debt service, debt issuance costs	-	25,079	(25,079)
Total expenditures	5,328,388	5,756,323	(427,935)
Excess of Revenues Over Expenditures	154,680	876,386	721,706
Other Financing Sources			
Interfund transfers in	-	3,854,914	3,854,914
Proceeds from sale of capacity	-	651,209	651,209
Total other financing sources	0	4,506,123	4,506,123
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	154,680	5,382,509	5,227,829
Fund Balance, Beginning of Year	8,388,577	8,388,577	-
Fund Balance, End of Year	$ 8,543,257	$ 13,771,086	$ 5,227,829

Harris County Municipal Utility District No. 400
Budgetary Comparison Schedule – Wastewater Treatment Plant Fund
Year Ended February 29, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	$ 900,491	$ 1,090,903	$ 190,412
Investment income	901	1,591	690
Total revenues	901,392	1,092,494	191,102
Expenditures			
Service operations:			
Professional fees	7,300	17,276	(9,976)
Contracted services	35,000	33,031	1,969
Solid waste	1,500	1,198	302
Utilities	84,000	58,449	25,551
Repairs and maintenance	216,342	174,645	41,697
Other expenditures	5,900	9,688	(3,788)
Lease payments	526,350	441,400	84,950
Capital outlay	25,000	356,807	(331,807)
Total expenditures	901,392	1,092,494	(191,102)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	153,047	153,047	-
Fund Balance, End of Year	$ 153,047	$ 153,047	$ 0

Harris County Municipal Utility District No. 400
Budgetary Comparison Schedule – Water Plant Fund
Year Ended February 29, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water service	$ 111,960	$ 688,331	$ 576,371
Investment income	60	87	27
Total revenues	112,020	688,418	576,398
Expenditures			
Service operations:			
Purchased services	30,000	603,904	(573,904)
Professional fees	4,800	17,679	(12,879)
Contracted services	21,400	24,728	(3,328)
Utilities	16,800	8,308	8,492
Repairs and maintenance	31,600	28,146	3,454
Other expenditures	7,420	5,653	1,767
Total expenditures	112,020	688,418	(576,398)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	15,504	15,504	-
Fund Balance, End of Year	$ 15,504	$ 15,504	$ 0

Harris County Municipal Utility District No. 400
Notes to Required Supplementary Information
February 29, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general, wastewater treatment and water plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, wastewater treatment plant fund and water plant fund were not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund, Wastewater Treatment Plant and Water Plant funds present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Harris County Municipal Utility District No. 400

Other Schedules Included Within This Report

February 29, 2020

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-30

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 400

Schedule of Services and Rates

Year Ended February 29, 2020

1. Services provided by the District:

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

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

Other

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	$ 18.00	10,000	N	$ 1.00	10,001 to 15,000
				$ 2.00	15,001 to 20,000
				$ 3.00	20,001 to 25,000
				$ 4.00	25,001 to No Limit
Wastewater:	$ 36.88	0	Y		
Regional water fee:	$ 2.32 **	1	N	$ 2.32	1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 41.20 Wastewater $ 36.88

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2,540	2,531	x1.0	2,531
1"	156	154	x2.5	385
1 1/2"	27	27	x5.0	135
2"	44	44	x8.0	352
3"	4	4	x15.0	60
4"	-	-	x25.0	-
6"	2	2	x50.0	100
8"	5	5	x80.0	400
10"	-	-	x115.0	-
Total water	2,778	2,767		3,963
Total wastewater	2,691	2,680	x1.0	2,680

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	215,493
Gallons billed to customers:	205,325
Water accountability ratio (gallons billed/gallons pumped):	95.28%

*"ESFC" means equivalent single-family connections

**Regional water fee for Water Plant No. 1 service area is $2.32 and for Water Plant No. 2 service area is $3.31.

Harris County Municipal Utility District No. 400
Schedule of General Fund Expenditures
Year Ended February 29, 2020

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 22,700	
Legal	112,773	
Engineering	144,959	
Financial advisor	-	280,432
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,218,283
Regional Water Fee		80,687
Contracted Services		
Bookkeeping	33,880	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	98,806	
Other contracted services	299,782	432,468
Utilities		190,515
Repairs and Maintenance		990,617
Administrative Expenditures		
Directors' fees	26,700	
Office supplies	14,970	
Insurance	29,067	
Other administrative expenditures	91,245	161,982
Capital Outlay		
Capitalized assets	1,533,656	
Expenditures not capitalized	30,584	1,564,240
Debt service		
Debt issuance costs		25,079
Tap Connection Expenditures		356,817
Solid Waste Disposal		455,203
Fire Fighting		-
Parks and Recreation		-
Lease Payments		-
Total expenditures		$ 5,756,323

Harris County Municipal Utility District No. 400

Schedule of Temporary Investments

February 29, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011903181	2.25%	10/31/20	$ 240,000	$ 1,760
No. 6738524061	2.50%	07/31/20	240,000	3,468
No. 578	2.75%	06/05/20	240,000	4,828
No. 66000308	2.10%	09/14/20	240,000	2,320
No. 71123499	2.60%	05/09/20	240,000	5,043
No. 12188	1.90%	01/09/21	240,000	625
No. 440010372	1.65%	02/27/21	240,000	11
No. 80001897	2.71%	07/30/20	240,000	7,038
No. 4190239	1.70%	01/11/21	240,000	548
No. 0276932532	2.65%	04/07/20	240,000	5,680
No. 2000000062	2.65%	03/10/20	240,000	6,238
No. 36000056	1.79%	12/25/20	240,000	765
No. 6000031978	2.60%	07/02/20	240,000	4,120
No. 9009004454	1.80%	02/26/21	240,000	12
No. 33484	2.80%	04/08/20	240,000	6,002
Texas CLASS	1.75%	Demand	9,800,486	-
			13,400,486	48,459
Debt Service Fund				
Certificates of Deposit				
No. 91300011858928	2.75%	08/22/20	240,000	3,454
No. 6775806026	2.05%	08/20/20	240,000	2,588
No. 416	1.80%	02/14/21	240,000	166
No. 66000932	2.10%	08/20/20	240,000	2,651
No. 11798	2.22%	08/13/20	245,000	2,966
No. 440010287	1.65%	02/17/21	240,000	119
No. 4190768	2.35%	08/13/20	240,000	3,075
No. 36000616	2.45%	08/11/20	240,000	3,270
No. 9009004150	2.05%	08/20/20	240,000	2,588
Texas CLASS	1.75%	Demand	4,366,442	-
			6,531,442	20,877

Harris County Municipal Utility District No. 400

Schedule of Temporary Investments (Continued)

February 29, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
Capital Projects Fund				
Texas CLASS	1.75%	Demand	$ 460,820	$ -
Texas CLASS	1.75%	Demand	3,925,745	-
			4,386,565	0
Wastewater Treatment Plant Fund				
Texas CLASS	1.75%	Demand	574,935	0
Water Plant Fund				
Texas CLASS	1.75%	Demand	891,026	0
Totals			$ 25,784,454	$ 69,336

Harris County Municipal Utility District No. 400
Analysis of Taxes Levied and Receivable
Year Ended February 29, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 36,019	$ 114,917
Additions and corrections to prior years' taxes	1,631	5,751
Adjusted receivable, beginning of year	37,650	120,668
2019 Original Tax Levy	1,162,586	3,653,842
Additions and corrections	151,958	477,581
Adjusted tax levy	1,314,544	4,131,423
Total to be accounted for	1,352,194	4,252,091
Tax collections: Current year	(1,276,969)	(4,013,331)
Prior years	(25,374)	(86,850)
Receivable, end of year	$ 49,851	$ 151,910
Receivable, by Years		
2019	$ 37,575	$ 118,092
2018	3,738	12,815
2017	1,642	5,141
2016	1,216	3,808
2015	1,007	2,905
2014	2,197	1,927
2013	697	2,005
2012	658	2,016
2011	610	1,742
2010	511	1,459
Receivable, end of year	$ 49,851	$ 151,910

Harris County Municipal Utility District No. 400

Analysis of Taxes Levied and Receivable (Continued)

Year Ended February 29, 2020

	2019	2018	2017	2016
Property Valuations				
Land	$ 160,397,826	$ 130,580,849	$ 116,384,082	$ 96,825,446
Improvements	521,427,690	414,687,290	382,019,567	349,272,022
Personal property	24,217,951	23,376,970	22,201,738	20,197,304
Exemptions	(80,068,647)	(65,604,486)	(59,851,509)	(33,783,755)
Total property valuations	$ 625,974,820	$ 503,040,623	$ 460,753,878	$ 432,511,017
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.6600	$ 0.7200	$ 0.7200	$ 0.7200
Maintenance tax rates*	0.2100	0.2100	0.2300	0.2300
Total tax rates per $100 valuation	$ 0.8700	$ 0.9300	$ 0.9500	$ 0.9500
Tax Levy	$ 5,445,967	$ 4,678,267	$ 4,377,153	$ 4,108,846
Percent of Taxes Collected to Taxes Levied**	97%	99%	99%	99%

*Maximum tax rate approved by voters: $1.35 on November 2, 2004
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years

February 29, 2020

	Series 2010		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 55,000	$ 1,210	$ 56,210

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Series 2011		
Due During Fiscal Years Ending February 28	**Principal Due September 1**	**Interest Due March 1, September 1**	**Total**
2021	$ 25,000	$ 1,500	$ 26,500
2022	25,000	500	25,500
Totals	$ 50,000	$ 2,000	$ 52,000

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Series 2013		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 25,000	$ 79,687	$ 104,687
2022	25,000	78,437	103,437
2023	25,000	77,187	102,187
2024	25,000	75,937	100,937
2025	25,000	74,688	99,688
2026	25,000	73,438	98,438
2027	25,000	72,188	97,188
2028	50,000	70,313	120,313
2029	50,000	67,813	117,813
2030	50,000	65,675	115,675
2031	50,000	63,900	113,900
2032	50,000	62,125	112,125
2033	50,000	60,350	110,350
2034	50,000	58,575	108,575
2035	75,000	56,356	131,356
2036	75,000	53,694	128,694
2037	150,000	49,700	199,700
2038	1,325,000	23,519	1,348,519
Totals	$ 2,150,000	$ 1,163,582	$ 3,313,582

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Refunding Series 2013A		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 715,000	$ 148,775	$ 863,775
2022	735,000	127,025	862,025
2023	760,000	100,800	860,800
2024	790,000	69,800	859,800
2025	660,000	40,800	700,800
2026	690,000	13,800	703,800
Totals	$ 4,350,000	$ 501,000	$ 4,851,000

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400
Schedule of Long-term Debt Service Requirements by Years (Continued)
February 29, 2020

	Refunding Series 2014		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 25,000	$ 376,375	$ 401,375
2022	25,000	375,625	400,625
2023	25,000	374,875	399,875
2024	30,000	374,050	404,050
2025	190,000	369,800	559,800
2026	200,000	362,000	562,000
2027	210,000	353,800	563,800
2028	220,000	345,200	565,200
2029	1,070,000	319,400	1,389,400
2030	900,000	280,000	1,180,000
2031	940,000	243,200	1,183,200
2032	980,000	204,800	1,184,800
2033	1,020,000	164,800	1,184,800
2034	1,060,000	123,200	1,183,200
2035	1,100,000	80,000	1,180,000
2036	1,450,000	29,000	1,479,000
Totals	$ 9,445,000	$ 4,376,125	$ 13,821,125

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Refunding Series 2015		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 260,000	$ 331,200	$ 591,200
2022	265,000	325,950	590,950
2023	275,000	319,175	594,175
2024	290,000	310,700	600,700
2025	295,000	301,925	596,925
2026	300,000	292,250	592,250
2027	1,065,000	269,694	1,334,694
2028	1,100,000	233,138	1,333,138
2029	300,000	208,450	508,450
2030	310,000	197,200	507,200
2031	325,000	185,294	510,294
2032	330,000	172,600	502,600
2033	590,000	154,200	744,200
2034	620,000	130,000	750,000
2035	645,000	104,700	749,700
2036	365,000	84,500	449,500
2037	1,930,000	38,600	1,968,600
Totals	$ 9,265,000	$ 3,659,576	$ 12,924,576

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Series 2016		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 125,000	$ 530,875	$ 655,875
2022	125,000	525,875	650,875
2023	125,000	520,875	645,875
2024	125,000	515,875	640,875
2025	125,000	510,875	635,875
2026	125,000	505,875	630,875
2027	125,000	500,875	625,875
2028	125,000	495,875	620,875
2029	125,000	491,344	616,344
2030	125,000	487,281	612,281
2031	125,000	483,219	608,219
2032	125,000	479,156	604,156
2033	125,000	475,094	600,094
2034	125,000	470,953	595,953
2035	125,000	466,734	591,734
2036	125,000	462,438	587,438
2037	125,000	458,063	583,063
2038	125,000	453,688	578,688
2039	2,325,000	410,813	2,735,813
2040	2,450,000	327,250	2,777,250
2041	2,575,000	239,311	2,814,311
2042	2,700,000	147,000	2,847,000
2043	2,850,000	49,875	2,899,875
Totals	$ 15,150,000	$ 10,009,219	$ 25,159,219

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Series 2017		
Due During Fiscal Years Ending February 28	**Principal Due September 1**	**Interest Due March 1, September 1**	**Total**
2021	$ 60,000	$ 421,356	$ 481,356
2022	75,000	418,656	493,656
2023	75,000	415,656	490,656
2024	75,000	412,656	487,656
2025	75,000	409,656	484,656
2026	75,000	406,656	481,656
2027	75,000	403,656	478,656
2028	75,000	400,656	475,656
2029	75,000	397,656	472,656
2030	75,000	394,656	469,656
2031	75,000	391,656	466,656
2032	75,000	388,656	463,656
2033	75,000	385,656	460,656
2034	75,000	382,656	457,656
2035	75,000	379,656	454,656
2036	75,000	376,657	451,657
2037	75,000	373,657	448,657
2038	75,000	370,657	445,657
2039	75,000	367,844	442,844
2040	75,000	365,219	440,219
2041	75,000	362,594	437,594
2042	75,000	359,969	434,969
2043	75,000	357,344	432,344
2044	1,825,000	324,094	2,149,094
2045	1,900,000	258,906	2,158,906
2046	1,975,000	189,859	2,164,859
2047	2,075,000	116,454	2,191,454
2048	2,175,000	39,422	2,214,422
Totals	$ 11,660,000	$ 9,872,216	$ 21,532,216

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Refunding Series 2019A		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 10,000	$ 40,369	$ 50,369
2022	65,000	38,869	103,869
2023	65,000	36,269	101,269
2024	70,000	33,569	103,569
2025	70,000	31,119	101,119
2026	70,000	29,019	99,019
2027	70,000	26,919	96,919
2028	75,000	24,744	99,744
2029	65,000	22,603	87,603
2030	65,000	20,572	85,572
2031	70,000	18,375	88,375
2032	75,000	15,928	90,928
2033	80,000	13,262	93,262
2034	80,000	10,462	90,462
2035	85,000	7,521	92,521
2036	80,000	4,531	84,531
2037	85,000	1,541	86,541
Totals	$ 1,180,000	$ 375,672	$ 1,555,672

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400
Schedule of Long-term Debt Service Requirements by Years (Continued)
February 29, 2020

	Refunding Series 2019B		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 10,000	$ 67,013	$ 77,013
2022	10,000	66,613	76,613
2023	60,000	65,213	125,213
2024	60,000	62,813	122,813
2025	60,000	60,713	120,713
2026	60,000	58,913	118,913
2027	60,000	57,113	117,113
2028	60,000	55,313	115,313
2029	55,000	53,552	108,552
2030	55,000	51,833	106,833
2031	55,000	50,046	105,046
2032	55,000	48,190	103,190
2033	55,000	46,300	101,300
2034	55,000	44,375	99,375
2035	55,000	42,450	97,450
2036	55,000	40,525	95,525
2037	55,000	38,531	93,531
2038	1,000,000	18,750	1,018,750
Totals	$ 1,875,000	$ 928,256	$ 2,803,256

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

	Series 2020		
Due During Fiscal Years Ending February 28	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ -	$ 396,114	$ 396,114
2022	-	365,644	365,644
2023	105,000	363,544	468,544
2024	100,000	359,443	459,443
2025	100,000	355,444	455,444
2026	100,000	351,444	451,444
2027	100,000	347,444	447,444
2028	100,000	344,443	444,443
2029	100,000	342,444	442,444
2030	150,000	339,944	489,944
2031	150,000	336,944	486,944
2032	150,000	333,943	483,943
2033	150,000	330,944	480,944
2034	150,000	327,850	477,850
2035	150,000	324,569	474,569
2036	150,000	321,194	471,194
2037	150,000	317,725	467,725
2038	150,000	314,162	464,162
2039	150,000	310,506	460,506
2040	150,000	306,757	456,757
2041	150,000	303,006	453,006
2042	150,000	299,256	449,256
2043	150,000	295,507	445,507
2044	800,000	283,631	1,083,631
2045	800,000	263,631	1,063,631
2046	900,000	242,381	1,142,381
2047	900,000	219,319	1,119,319
2048	900,000	195,694	1,095,694
2049	3,255,000	141,159	3,396,159
2050	3,750,000	49,219	3,799,219
Totals	$ 14,110,000	$ 9,083,305	$ 23,193,305

The District pays the amount due March 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming the practice will continue in the future.

Harris County Municipal Utility District No. 400

Schedule of Long-term Debt Service Requirements by Years (Continued)

February 29, 2020

Due During Fiscal Years Ending February 28	Annual Requirements For All Series: Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 1,310,000	$ 2,394,474	$ 3,704,474
2022	1,350,000	2,323,194	3,673,194
2023	1,515,000	2,273,594	3,788,594
2024	1,565,000	2,214,843	3,779,843
2025	1,600,000	2,155,020	3,755,020
2026	1,645,000	2,093,395	3,738,395
2027	1,730,000	2,031,689	3,761,689
2028	1,805,000	1,969,682	3,774,682
2029	1,840,000	1,903,262	3,743,262
2030	1,730,000	1,837,161	3,567,161
2031	1,790,000	1,772,634	3,562,634
2032	1,840,000	1,705,398	3,545,398
2033	2,145,000	1,630,606	3,775,606
2034	2,215,000	1,548,071	3,763,071
2035	2,310,000	1,461,986	3,771,986
2036	2,375,000	1,372,539	3,747,539
2037	2,570,000	1,277,817	3,847,817
2038	2,675,000	1,180,776	3,855,776
2039	2,550,000	1,089,163	3,639,163
2040	2,675,000	999,226	3,674,226
2041	2,800,000	904,911	3,704,911
2042	2,925,000	806,225	3,731,225
2043	3,075,000	702,726	3,777,726
2044	2,625,000	607,725	3,232,725
2045	2,700,000	522,537	3,222,537
2046	2,875,000	432,240	3,307,240
2047	2,975,000	335,773	3,310,773
2048	3,075,000	235,116	3,310,116
2049	3,255,000	141,159	3,396,159
2050	3,750,000	49,219	3,799,219
Totals	$ 69,290,000	$ 39,972,161	$ 109,262,161

Harris County Municipal Utility District No. 400
Changes in Long-term Bonded Debt
Year Ended February 29, 2020

	Bond			
	Series 2010	Series 2011	Series 2013	Refunding Series 2013A
Interest rates	4.40%	4.00%	3.55% to 5.00%	3.00% to 4.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2020	September 1, 2020/2021	September 1, 2020/2037	September 1, 2020/2025
Bonds outstanding, beginning of current year	$ 110,000	$ 75,000	$ 2,175,000	$ 5,040,000
Bonds sold during current year	-	-	-	-
Retirements, principal	55,000	25,000	25,000	690,000
Bonds outstanding, end of current year	$ 55,000	$ 50,000	$ 2,150,000	$ 4,350,000
Interest paid during current year	$ 3,548	$ 2,500	$ 80,938	$ 169,850

Paying agent's name and address:

Series 2010 - Wells Fargo Bank, N.A., Houston, Texas
Series 2011 - Wells Fargo Bank, N.A., Houston, Texas
Series 2013 - Wells Fargo Bank, N.A., Houston, Texas
Series 2013A - Wells Fargo Bank, N.A., Minneapolis, Minnesota
Series 2014 - Wells Fargo Bank, N.A., Minneapolis, Minnesota
Series 2015 - Wells Fargo Bank, N.A., Minneapolis, Minnesota
Series 2016 - Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019A - Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019B - Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	Tax Bonds	Recreation Bonds	Refunding Bonds
Amount authorized by voters	$ 150,000,000	$ 4,835,000	$ 154,835,000
Amount of authorization used	$ 75,705,000	$ 1,590,000	$ 1,845,000
Remaining to be issued	$ 74,295,000	$ 3,245,000	$ 152,990,000

Debt service fund cash and temporary investment balances as of February 28, 2020:	$ 7,077,513
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,642,072

Issues

Refunding Series 2014	Refunding Series 2015	Series 2016	Series 2017	Refunding Series 2019A	Refunding Series 2019B	Series 2020	Totals
2.00% to 4.00%	2.00% to 4.00%	3.25% to 4.00%	3.50% to 4.00%	3.00% to 4.00%	3.00% to 4.00%	2.00% to 4.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2020/2035	September 1, 2020/2036	September 1, 2020/2042	September 1, 2020/2047	September 1, 2020/2036	September 1, 2020/2037	September 1, 2022/2049	
$ 9,470,000	$ 9,520,000	$ 15,275,000	$ 11,660,000	$ 1,205,000	$ 1,910,000	$ -	$ 56,440,000
-	-	-	-	-	-	14,110,000	14,110,000
25,000	255,000	125,000	-	25,000	35,000	-	1,260,000
$ 9,445,000	$ 9,265,000	$ 15,150,000	$ 11,660,000	$ 1,180,000	$ 1,875,000	$ 14,110,000	$ 69,290,000
$ 377,000	$ 336,350	$ 535,875	$ 422,556	$ 44,533	$ 73,630	$ 0	$ 2,046,780

Harris County Municipal Utility District No. 400

Comparative Schedule of Revenues and Expenditures – General Fund

Year Ended February 29, 2020, Three Years Ended February 28, 2019, 2018, 2017, and Year Ended February 29, 2016

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	$ 1,302,343	$ 1,037,999	$ 1,151,648	$ 982,920	$ 1,070,800
City of Houston rebates	504,790	479,495	476,565	459,516	409,916
Water service	943,275	767,054	612,399	615,568	585,941
Sewer service	1,247,411	1,109,374	924,000	881,266	856,732
Surface water conversion	718,551	531,144	430,562	180,519	165,811
Penalty and interest	110,723	74,524	97,194	60,971	49,752
Tap connection and inspection fees	1,188,895	1,052,893	564,291	264,733	65,688
Investment income	228,818	103,048	38,340	22,778	22,910
Other income	387,903	17,133	-	-	-
Total revenues	6,632,709	5,172,664	4,294,999	3,468,271	3,227,550
Expenditures					
Service operations:					
Purchased services	1,218,283	221,298	85,856	82,921	187,583
Surface water conversion	80,687	186,720	189,428	178,795	168,348
Professional fees	280,432	400,283	427,864	399,352	300,398
Contracted services	887,671	817,267	674,298	622,376	613,433
Utilities	190,515	194,958	198,220	201,563	207,199
Repairs and maintenance	990,617	939,223	757,799	667,201	626,722
Other expenditures	161,982	350,546	109,042	136,398	90,759
Tap connections	356,817	269,975	206,500	150,200	13,900
Capital outlay	1,564,240	187,004	466,129	571,613	3,083,609
Debt service, debt issuance costs	25,079	3,500	-	-	-
Total expenditures	5,756,323	3,570,774	3,115,136	3,010,419	5,291,951
Excess (Deficiency) of Revenues Over Expenditures	876,386	1,601,890	1,179,863	457,852	(2,064,401)
Other Financing Sources (Uses)					
Interfund transfers in (out)	3,854,914	(122,471)	(15,844)	-	-
Proceeds from sale of capacity	651,209	-	-	-	-
Total Other Financing Sources	4,506,123	(122,471)	(15,844)	0	0
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	5,382,509	1,479,419	1,164,019	457,852	(2,064,401)
Fund Balance, Beginning of Year	8,388,577	6,909,158	5,745,139	5,287,287	7,351,688
Fund Balance, End of Year	$ 13,771,086	$ 8,388,577	$ 6,909,158	$ 5,745,139	$ 5,287,287
Total Active Retail Water Connections	2,767	2,230	1,849	1,652	1,629
Total Active Retail Wastewater Connections	2,680	2,156	1,778	1,588	1,529

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
19.6 %	20.1 %	26.8 %	28.4 %	33.2 %
7.6	9.3	11.1	13.3	12.7
14.2	14.8	14.3	17.7	18.2
18.8	21.4	21.5	25.4	26.5
10.8	10.3	10.0	5.2	5.1
1.7	1.4	2.3	1.8	1.5
17.9	20.4	13.1	7.6	2.1
3.5	2.0	0.9	0.6	0.7
5.9	0.3	-	-	-
100.0	100.0	100.0	100.0	100.0
18.4	4.3	2.0	2.4	5.8
1.2	3.6	4.4	5.2	5.2
4.2	7.7	10.0	11.5	9.3
13.4	15.8	15.7	18.0	19.0
2.9	3.8	4.6	5.8	6.4
14.9	18.1	17.6	19.2	19.4
2.4	6.8	2.5	3.9	2.8
5.4	5.2	4.8	4.3	0.4
23.6	3.6	10.9	16.5	95.6
0.4	0.1	-	-	-
86.8	69.0	72.5	86.8	163.9
13.2 %	31.0 %	27.5 %	13.2 %	(63.9) %

Harris County Municipal Utility District No. 400

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Year Ended February 29, 2020, Three Years Ended February 28, 2019, 2018, 2017, and Year Ended February 29, 2016

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	$ 4,100,181	$ 3,556,323	$ 3,602,759	$ 3,056,837	$ 3,024,399
Penalty and interest	186,596	23,731	25,646	17,552	30,263
Investment income	123,013	89,918	38,478	16,515	9,833
Total revenues	4,409,790	3,669,972	3,666,883	3,090,904	3,064,495
Expenditures					
Current:					
Professional fees	6,044	8,535	4,212	4,569	9,353
Contracted services	78,490	65,109	49,500	54,501	54,601
Other expenditures	17,109	16,651	12,931	11,564	16,674
Debt service:					
Principal retirement	1,260,000	1,175,000	1,155,000	985,000	850,000
Interest and fees	2,045,833	2,113,593	1,725,788	1,772,085	1,118,033
Debt issuance costs	935	157,737	-	-	400,059
Debt defeasance	-	4,000	-	-	232,000
Total expenditures	3,408,411	3,540,625	2,947,431	2,827,719	2,680,720
Excess of Revenues Over Expenditures	1,001,379	129,347	719,452	263,185	383,775
Other Financing Sources (Uses)					
General obligation bonds issued	-	3,115,000	-	-	9,970,000
Discount on debt issued	-	(30,282)	-	-	(149,376)
Deposit with escrow agent	-	(2,926,045)	-	-	(9,416,661)
Total other financing sources	0	158,673	0	0	403,963
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,001,379	288,020	719,452	263,185	787,738
Fund Balance, Beginning of Year	5,679,945	5,391,925	4,672,473	4,409,288	3,621,550
Fund Balance, End of Year	$ 6,681,324	$ 5,679,945	$ 5,391,925	$ 4,672,473	$ 4,409,288

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
93.0 %	96.9 %	98.3 %	98.9 %	98.7 %
4.2	0.6	0.7	0.6	1.0
2.8	2.5	1.0	0.5	0.3
100.0	100.0	100.0	100.0	100.0
0.1	0.2	0.1	0.2	0.3
1.8	1.8	1.3	1.8	1.8
0.4	0.5	0.4	0.4	0.5
28.6	32.0	31.5	31.8	27.7
46.4	57.6	47.1	57.3	36.5
0.0	4.3	-	-	13.1
-	0.1	-	-	7.6
77.3	96.5	80.4	91.5	87.5
22.7 %	3.5 %	19.6 %	8.5 %	12.5 %

Harris County Municipal Utility District No. 400
Board Members, Key Personnel and Consultants
Year Ended February 29, 2020

Complete District mailing address:	Harris County Municipal Utility District No. 400 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 14, 2018
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Gerald Jones	Elected 05/16-05/20	$ 4,650	$ 2,271	President
Curtis Goss	Elected 05/16-05/20	5,850	2,719	Vice President
Cheryl Smith	Elected 05/18-05/22	6,150	3,345	Secretary
Anne-Marie Wright	Elected 05/18-05/22	5,700	2,513	Assistant Secretary
Shepard Cross	Elected 05/16-05/20	4,350	2,382	Director

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

Harris County Municipal Utility District No. 400
Board Members, Key Personnel and Consultants (Continued)
Year Ended February 29, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	04/24/06	$ 33,600	Auditor
Environmental Development Partners, L.L.C.	09/01/09	1,150,407	Operator
Harris County Appraisal District	Legislative Action	37,736	Appraiser
Jones & Carter, Inc.	08/24/04	675,322	Engineer
Municipal Accounts & Consulting, L.P.	08/24/04	71,260	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/01/06	6,044	Delinquent Tax Attorney
Rathmann & Associates, L.P.	08/24/04	338,000	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/24/04	558,180	Attorney
Wheeler & Associates, Inc.	08/24/04	60,553	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	10/26/09	N/A	Bookkeepers

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on] Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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