OFFICIAL STATEMENT DATED JANUARY 19, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 390, 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 BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
Underlying Rating: S&P "BBB"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,790,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 390
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2022B

Dated Date: February 1, 2022 **Due: April 1, as shown below**
Interest Accrual Date: Date of Delivery

The $4,790,000 Unlimited Tax Bonds, Series 2022B (the "Bonds") are being issued by Harris County Municipal Utility District No. 390 (the "District"). Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected February 23, 2022) (the "Date of Delivery") and will be payable on October 1 and April 1 of each year commencing October 1, 2022 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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 directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. 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 ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer") See "MUNICIPAL BOND INSURANCE" herein.

ASSURED GUARANTY MUNICIPAL

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due April 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due April 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2023	$ 100,000	4.000 %	0.75 %	41420L UQ0	2027	100,000	4.500 %	1.40 %	41420L UU1
2024	100,000	4.500	0.90	41420L UR8	2028	100,000 (b)	2.000	1.60	41420L UV9
2025	100,000	4.500	1.10	41420L US6	2029	100,000 (b)	2.000	1.80	41420L UW7
2026	100,000	4.500	1.28	41420L UT4	2030	100,000 (b)	2.000	2.00	41420L UX5

$200,000 Term Bonds due April 1, 2032 (b), 41420L UZ0 (c), 2.000% Interest Rate, 2.25% Yield (a)
$200,000 Term Bonds due April 1, 2034 (b), 41420L VB2 (c), 2.250% Interest Rate, 2.50% Yield (a)
$540,000 Term Bonds due April 1, 2036 (b), 41420L VD8 (c), 2.375% Interest Rate, 2.55% Yield (a)
$590,000 Term Bonds due April 1, 2038 (b), 41420L VF3 (c), 2.375% Interest Rate, 2.60% Yield (a)
$635,000 Term Bonds due April 1, 2040 (b), 41420L VH9 (c), 2.500% Interest Rate, 2.65% Yield (a)
$1,825,000 Term Bonds due April 1, 2045 (b), 41420L VN6 (c), 2.625% Interest Rate, 2.80% Yield (a)

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

(b) The Bonds maturing on or after April 1, 2028 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

(c) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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 within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special risk factors 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. Delivery of the Bonds in book-entry form through DTC is expected on or about February 23, 2022.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, 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 Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication.

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

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 affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "UPDATING OF OFFICIAL STATEMENT."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General........................... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 related governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstitution of restrictions. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

THE BONDS

The Issuer........................ Harris County Municipal Utility District No. 390 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue.......................... $4,790,000 Harris County Municipal Utility District No. 390 Unlimited Tax Bonds, Series 2022B are dated February 1, 2022. The Bonds mature serially on April 1 in each year from 2023 through 2030, both inclusive, and as term bonds on April 1 in each of the years 2032, 2034, 2036, 2038, 2040, and 2045 (the "Term Bonds"), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable October 1 and April 1 of each year commencing October 1, 2022. The Bonds maturing on or after April 1, 2028 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2027, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS."

Book-Entry-Only .... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, 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."

Authority for Issuance .... At elections held within the District on May 3, 2003, September 10, 2005 and November 2, 2021, voters in the District authorized a total of $119,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are the thirteenth installment of bonds from such water, sanitary sewer and drainage authorizations issued by the District. 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 "Commission").

Source of Payment............ The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds................ Proceeds from the Bonds will be used to reimburse the Developers (as defined herein) for a portion of the costs of financing: (1) water, sanitary sewer and drainage facilities to serve City Gate Sections One and Two; (2) drainage for City Gate Detention Phase One; and (3) engineering for the above referenced projects. Proceeds of the Bonds will also be used to pay certain costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record .... The District has issued twenty-two series of unlimited tax bonds (including two series of unlimited tax road bonds, one series of unlimited tax park bonds, two series of unlimited tax road refunding bonds and five series of unlimited tax refunding bonds) of which $37,865,000 principal amount is outstanding as of the date hereof (the "Outstanding Bonds"). The District has also issued two series of contract revenue road bonds, which are payable solely from revenues to be received from the City of Houston, of which $10,505,000 principal amount remains outstanding as of the date hereof. The District has never defaulted in the timely payment of principal or interest on its previously issued bonds.

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 "TAX MATTERS— Not Qualified Tax-Exempt Obligations."

Legal Opinion .... Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

Engineer .... Pape-Dawson Engineers, Inc., Houston, Texas.

Disclosure Counsel.......... McCall, Parkhurst & Horton, L.L.P., Houston, Texas.

Financial Advisor............ Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar... Regions Bank, Houston, Texas.

Municipal Bond Insurance and Municipal Bond Rating.................... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer") for the Bonds. S&P has also assigned an underlying rating of "BBB" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Investment Considerations................ The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

THE DISTRICT

Description....................... The District is a political subdivision of the State of Texas created by order of the Texas Commission on Environmental Quality (the "Commission"), effective February 13, 2003. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 812 acres of land. The District has petitioned the City of Houston for consent to annex an additional 55.352 acres of land owned by D.R. Horton. See "THE DISTRICT."

Location........................... The District is located in southern Harris County within the corporate limits of the City of Houston, approximately 8 miles south of the central downtown business district of the City of Houston at the intersection of State Highway 288 and West Orem Drive. The District is located entirely within the boundaries of the Houston Independent School District. See "THE DISTRICT."

Status of Development...... Approximately 413 acres have been developed into the single-family subdivisions of City Park, Sections 1 through 5, City Park West, Sections 1 through 8, City Park South Sections 1 through 6, and City Gate, Sections 1 through 4, which collectively encompass 2,296 lots. As of November 4, 2021, 2,077 homes were completed, 103 homes were under construction, and 114 lots developed lots remained vacant. In addition, utilities to serve City Gate, Section 5 (100 lots on approximately 18 acres) and Section 6 (122 lots on approximately 22 acres) are currently under construction with completion expected in the first quarter of 2022. DR Horton Homes is building homes in City Gate Sections 3 and 4, which have an average sales price of approximately $310,000.

Approximately 41 acres of land have been developed into three apartment complexes. The Stonebridge at City Park includes 240 apartment units on 12 acres and is currently approximately 96% leased. The Ranch at City Park includes 270 apartment units on approximately 14 acres and is currently approximately 97% leased. The Trails at City Parks Apartments includes 288 apartment units on approximately 15 acres and is currently approximately 94% leased. A fourth apartment complex, Cityscape Apartments, which will include 240 apartment units, is currently under construction on approximately 10 acres. Leasing is expected to begin in the first quarter of 2022.

Commercial development in the District includes a gas station/convenience store on approximately 2 acres of land and a gas station/McDonald's on approximately 3 acres of land. A 122-room hotel has been constructed on approximately 2 acres of land. A 128-bed assisted living facility has been constructed on approximately 6 acres of land. A Popeyes restaurant has been constructed on approximately 1 acre of land, a Shipley's Do-Nuts has been constructed on approximately 1 acre of land and a Jack in the Box restaurant has been constructed on approximately 1 acre of land. A retail center is under construction on approximately 1 acre of land. Approximately 71 acres of land have been developed with utilities, but there are currently no above ground improvements constructed.

In addition to the development described above, the District has approximately 148 acres that remain to be developed, including 10 acres that are owned by Houston Independent School District, and 72 acres that are undevelopable, including streets and recreational sites.

The Developers................ The developer of City Park, Sections 1 through 5, City Park West, Sections 1 through 8 and City Park South, Section 1 is GBF/LIC 288, Ltd. (the "GBF/LIC 288"), a Texas limited partnership, with FirstLand Investment Corporation, a Texas corporation, as managing general partner. GBF 288 Holdings Ltd., a Texas limited partnership, and Forestar (USA) Real Estate Group, Inc., a Delaware corporation, are the limited partners. GBF/LIC 288 owns approximately 34 acres of undeveloped land in the District.

Reserve at City Park South LP ("Reserve at CP South") owns approximately 66 acres of undeveloped land in the District.

RK City Park I, LLC ("RK City Park") owns approximately 24 acres of land in the District, which have been developed for commercial purposes, but currently have no above ground improvements constructed.

JRC/Almeda Genoa, Ltd. ("JRC Almeda") owns approximately 20 acres of undeveloped land in the District.

Quasar City Park, Ltd.("Quasar") owns approximately 43 acres of land in the District. which have been developed for commercial purposes, but currently have no above ground improvements constructed.

D.R. Horton-Texas, Ltd. ("D.R. Horton") has developed City Park South Sections 2, 3, 4, 5 and 6 and City Gate Sections 1, 2, 3 and 4. DR Horton Homes is building homes in City Gate Sections 3 and 4, which have an average sales price of approximately $310,000. In addition, utilities to serve City Gate, Section 5 (100 lots on approximately 18 acres) and Section 6 (122 lots on approximately 22 acres) are currently under construction with completion expected in the first quarter of 2022. D.R. Horton currently owns no additional land remaining to be developed. The District has petitioned the City of Houston for consent to annex an additional 55.352 acres of land owned by D.R. Horton.

Collectively, GBF/LIC 288, D.R. Horton, Reserve at CP South, RK City Park, JRC Almeda and Quasar are referred to as the "Developers." See "THE DEVELOPERS."

SELECTED FINANCIAL INFORMATION

2021 Taxable Assessed Valuation	$525,098,208	(a)
Estimated Taxable Assessed Valuation as of October 1, 2021	$583,170,213	(b)
Gross Direct Debt Outstanding	$42,655,000	(c)
Estimated Overlapping Debt	16,223,624	
Total Gross Direct Debt and Estimated Overlapping Debt	$58,878,624	
Ratio of Gross Direct Debt to:		
2021 Taxable Assessed Valuation	8.12%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2021 Taxable Assessed Valuation	11.21%	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of October 1, 2021	7.31%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of October 1, 2021	10.10%	
Construction Funds Available as of December 15, 2021	$854,159	
Operating Funds Available as of December 15, 2021	$339,976	
Debt Service Funds Available for Unlimited Tax Water, Sewer and Drainage Bonds and Park Bonds as of December 15, 2021	$2,424,070	(d)
Debt Service Funds Available for Unlimited Tax Road Bonds as of December 15, 2021	$219,193	(d)
2021 Debt Service Tax Rate	$0.55	
2021 Maintenance Tax Rate	0.15	
2021 Total Tax Rate	$0.70	
Average Annual Debt Service Requirement (2022-2045)	$2,329,578	(e)
Maximum Annual Debt Service Requirement (2023)	$2,945,735	(e)
Tax Rate Required to Pay Average Annual Debt Service (2022-2045) at a 95% Collection Rate Based upon 2021 Taxable Assessed Valuation	$0.47	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2023) at a 95% Collection Rate Based upon 2021 Taxable Assessed Valuation	$0.60	(f)
Tax Rate Required to Pay Average Annual Debt Service (2022-2045) at a 95% Collection Rate Based upon the Estimated Taxable Assessed Valuation as of October 1, 2021	$0.43	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2023) at a 95% Collection Rate Based upon the Estimated Taxable Assessed Valuation as of October 1, 2021	$0.54	(f)
Status of Development as of November 4, 2021		
Completed Single Family Homes	2,077	
Builder Connections	103	
Vacant Developed Lots	116	
Lots Under Construction	222	
Apartment Units (3 Complexes)	798	
Estimated Population	8,866	(g)

(a) Value includes $491,499,611 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $33,598,597 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2021, which totals $525,098,208. See "TAX PROCEDURES."
(b) As estimated by the Appraisal District as of October 1, 2021 for information purposes only. The certified 2021 assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2021 to October 1, 2021. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."
(c) After giving effect to issuance of the Bonds. Excludes the District's Contract Revenue Bonds payable from certain payments to be made to the District by the City of Houston. See "THE DISTRICT—Public Improvement Agreement (MUD 390 City Park Proximity Agreement.) and "FINANCIAL STATEMENT—Outstanding Bonds."
(d) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
(e) See "DEBT SERVICE REQUIREMENTS."
(f) These calculations do not include a rebate from the City of Houston. See "THE BONDS—Rebates from the City of Houston."
(g) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

$4,790,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 390
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS, SERIES 2022B

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 390 (the "District") of its $4,790,000 Unlimited Tax Bonds, Series 2022B.

This Official Statement includes descriptions, among others, of the Bonds and the orders authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and certain other information about the District and the Developers (as hereinafter defined) in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

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 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 February 1, 2022, with interest payable on October 1, 2022, and on each April 1 and October 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. 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 elections held within the District on May 3, 2003, September 10, 2005, and November 2, 2021, voters in the District authorized a total of $119,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the thirteenth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $75,415,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. 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 "Commission") dated October 11, 2021.

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 prior creation of the District's Bond Fund (the “Debt Service Fund”), including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater, storm drainage facilities, and recreational facilities (“WSD&R Bonds") from funds received to pay debt service on bonds issued to finance road facilities (the “Road Bonds”), and funds received to pay debt service on contract revenue bonds (“Contract Revenue Bonds”). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD&R Bonds, Road Bonds and Contract Revenue Bonds. The proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of WSD&R Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of WSD&R Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, any additional tax bonds issued by the District and Contract Revenue Bonds, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of WSD&R Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized WSD&R Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of WSD&R Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District’s duly authorized WSD&R Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on WSD&R Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road Bonds and Contract Revenue Bonds, will not be allocated to the payment of the Bonds.

Rebates from City of Houston

The District is located within the corporate limits of the City of Houston and the taxpayers in the District pay ad valorem taxes to the City of Houston at the tax rate established by the City of Houston. The District receives an annual rebate from the City of Houston for a portion of the taxes levied by the City of Houston on property in the District for debt service on the City’s bonds supported by property taxes (the “Annual Payment”). The Annual Payment is used to supplement the District’s Debt Service Fund. The following table shows the Annual Payments received in each year:

Year	Amount	Received
2008	$ 48,890	June 2009
2009	54,121	April 2010
2010	53,319	April 2011
2011	54,139	March 2012
2012	60,177	March 2013
2013	48,046	March 2014
2014	53,745	March 2015
2015	70,055	March 2016
2016	61,465	November 2017
2017	76,749	March 2018
2018	53,420	June 2019
2019	35,492	September 2020
2020	35,492	June 2021

The City charges District customers for water and sewer services and rebates a certain portion of the monthly collections to the District (the "Monthly Revenue Payment"). The Monthly Revenue Payment is used to supplement the District's Debt Service Fund. The following table shows the Monthly Revenue Payments received in each year:

Year	Monthly Revenue Payments
2008	$ 233,182
2009	165,954
2010	218,455
2011	239,471
2012	325,486
2013	363,214
2014	392,635
2015	382,893
2016	376,228
2017	310,465
2018	268,567
2019	264,850
2020	260,661
2021	143,374 (a)

(a) Reflects rebates through July 2021.

The amounts of the Annual Payment and Monthly Revenue Payment are based upon formulas established in the District's Utility Functions and Services Allocation Agreement with the City of Houston ("Utility Agreement"). The District has covenanted in the Bond Order authorizing the issuance of the Bonds and the Outstanding Bonds to deposit all of the proceeds of such rebates (less the costs incurred in the collection of same) in the Bond Fund to be utilized to pay a portion of the debt service requirements on the Bonds, the Outstanding Bonds, and any additional bonds issued by the District, so long as said bonds are outstanding or abolition of the District by the City of Houston; however such rebates are not pledged as security for the payment of debt service on any of the bonds issued by the District, including the Bonds. The District has further covenanted in the Bond Order to allocate such rebates in the Debt Service Fund and the sub-account within the Debt Service Fund established to pay debt service on the District's Unlimited Tax Road Bonds, Series 2011 and Series 2015 (the "Road Bonds") proportionately based upon the debt service requirements of the outstanding WSD&R Bonds and the Road Bonds, respectively, for the next succeeding calendar year. The Annual Payment and Monthly Revenue Payment will be adjusted in accordance with the Utility Agreement on January 1 of each calendar year following the commencement of the payment thereof. In addition, the amount of rebate payment will vary with changes in the City of Houston's tax rate, changes in the District's appraised valuation and changes in the amount of water and sewer revenues generated by District residents. Consequently, the amounts subject to rebate by the City of Houston under the formula will vary from year to year. See "THE DISTRICT—Utility Agreement with the City."

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 Bonds maturing on April 1 in each of the years 2032, 2034, 2036, 2038, 2040 and 2045 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on April 1 in each of the years and in the principal amount set forth in the following schedule (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):

$200,000 Term Bonds Due April 1, 2032	
Mandatory Redemption Date	**Principal Amount**
2031	$ 100,000
2032 (maturity)	100,000

$200,000 Term Bonds Due April 1, 2034	
Mandatory Redemption Date	**Principal Amount**
2033	$ 100,000
2034 (maturity)	100,000

$540,000 Term Bonds Due April 1, 2036	
Mandatory Redemption Date	**Principal Amount**
2035	$ 265,000
2036 (maturity)	275,000

$590,000 Term Bonds Due April 1, 2038	
Mandatory Redemption Date	**Principal Amount**
2037	$ 290,000
2038 (maturity)	300,000

$635,000 Term Bonds Due April 1, 2040	
Mandatory Redemption Date	**Principal Amount**
2039	$ 310,000
2040 (maturity)	325,000

$1,825,000 Term Bonds Due April 1, 2045	
Mandatory Redemption Date	**Principal Amount**
2041	$ 335,000
2042	350,000
2043	365,000
2044	380,000
2045 (maturity)	395,000

Notice of the mandatory redemption of the 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 any Term Bonds) maturing on and after April 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2027, 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 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 redemption date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "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 Unlimited Tax Debt

The District's voters have authorized the issuance of a total of $119,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $75,415,000 principal amount of unlimited tax bonds authorized but unissued for said facilities. The District's voters have also authorized a total of $165,550,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has $4,675,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding unlimited tax road bonds of the District and $159,300,021.47 principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding unlimited tax WSD or Park bonds of the District. The District's voters have also authorized issuance of a total of $41,000,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. The District currently has $38,000,000 principal amount of unlimited tax bonds authorized but unissued for such facilities. See "Financing Recreational Facilities" below. The District's voters have also authorized the issuance of a total of $5,050,000 principal amount of unlimited tax road bonds for the purpose of financing and constructing road facilities and could authorize additional amounts. The District currently has no remaining authorized but unissued unlimited tax road bonds. See "Financing Road Facilities" below.

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.

Issuance of additional unlimited tax debt may 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 Commission and a successful District election to approve the issuance of road bonds payable from taxes. The Commission granted road powers to the District, the City of Houston adopted ordinances approving the issuance of road bonds by the District, and at an election held within the District on May 10, 2008, voters of the District authorized a total of $5,050,000 principal amount of unlimited tax bonds for financing and constructing road facilities. The District has no remaining authorized but unissued unlimited tax road bonds. The voters of the District could authorize additional amounts. See "—Issuance of Additional Unlimited Tax Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt." Issuance of additional unlimited tax bonds for road facilities may dilute the security for the Bonds.

The District has also issued $11,680,000 in Contract Revenue Road Bonds (in two series) pursuant to the Public Improvement Agreement between the District and the City of Houston. Such bonds are not payable from or secured by the levy of taxes. See "THE DISTRICT—Public Improvement Agreement (MUD 390 City Park Proximity Agreement)."

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 the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

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, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (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. In addition, 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.

At elections held within the District on May 15, 2004 and November 2, 2021, voters of the District authorized a total of $41,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. At the 2004 election, voters also authorized a maintenance tax to support recreational facilities at a rate not to exceed $0.10 per $100 of assessed valuation. The District currently has $38,000,000 principal amount of unlimited tax bonds authorized but unissued for recreational facilities. The voters of the District could authorize additional amounts. See "—Issuance of Additional Unlimited Tax Debt" herein and "INVESTMENT CONSIDERATIONS—Future Debt."

Issuance of additional unlimited tax bonds for recreational facilities could dilute the investment security for the Bonds.

Abolishment

Under Texas law, the District may be abolished and dissolved by the City of Houston without the District's consent. If the District is abolished, the City of Houston will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to abolishment and dissolution by the City of Houston, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City of Houston to sell bonds of the City of Houston in an amount necessary to discharge such obligations. Abolishment of the District by the City of Houston is a policymaking matter within the discretion of the Mayor and the City Council of the City of Houston, and, therefore, the District makes no representation that abolishment will or will not occur. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should abolishment occur.

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 observance 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—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, premium, if any, 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 take 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, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriters take any responsibility for the accuracy thereof.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Commission, dated February 13, 2003, 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 corporate limits of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission.

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, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the City of Houston, the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, as a result of the granting of road powers by the Commission but subject to certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Unlimited Tax 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 Commission approvals prior to acquiring, constructing and financing firefighting facilities as well as voter approval of the issuance of bonds for said purposes. 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 and Location

The District is located in southern Harris County within the corporate limits of the City of Houston, approximately 8 miles south of the central downtown business district of the City of Houston at the intersection of State Highway 288 and West Orem Drive. The District is located entirely within the boundaries of the Houston Independent School District. The District consists of approximately 812 acres of land. The District has petitioned the City of Houston for consent to annex an additional 55.352 acres of land owned by D.R. Horton.

Single-Family Residential Development

Approximately 413 acres have been developed into the single-family subdivisions of City Park, Sections 1 through 5, City Park West, Sections 1 through 8, City Park South Sections 1 through 6, and City Gate, Sections 1 through 4, which collectively encompass 2,296 lots. As of November 4, 2021, 2,077 homes were completed, 103 homes were under construction, and 114 lots developed lots remained vacant. In addition, utilities to serve City Gate, Section 5 (100 lots on approximately 18 acres) and Section 6 (122 lots on approximately 22 acres) are currently under construction with an completion expected in the first quarter of 2022.

Homebuilding Program

DR Horton Homes is building homes in City Gate Sections 3 and 4, which have an average sales price of approximately $310,000.

Commercial Development

Commercial development in the District includes a gas station/convenience store on approximately 2 acres of land and a gas station/McDonald's on approximately 3 acres of land. A 122-room hotel has been constructed on approximately 2 acres of land. A 128-bed assisted living facility has been constructed on approximately 6 acres of land. A Popeyes restaurant has been constructed on approximately 1 acre of land, a Shipley's Do-Nuts has been constructed on approximately 1 acre of land and a Jack in the Box restaurant has been constructed on approximately 1 acre of land. A retail center is under construction on approximately 1 acre of land.

Approximately 71 acres of land have been developed with utilities, but there are currently no above ground improvements constructed.

Multi-Family Development

Approximately 41 acres of land have been developed into three apartment complexes. The Stonebridge at City Park includes 240 apartment units on 12 acres and is currently approximately 96% leased. The Ranch at City Park includes 270 apartment units on approximately 14 acres and is currently approximately 97% leased. The Trails at City Parks Apartments includes 288 apartment units on approximately 15 acres and is currently approximately 94% leased.

A fourth apartment complex, Cityscape Apartments, which will include 240 apartment units, is currently under construction on approximately 10 acres. Leasing is expected to begin in the first quarter of 2022.

Undeveloped Acreage

In addition to the development described above, the District has approximately 148 acres that remain to be developed, including 10 acres that are owned by Houston Independent School District, and 72 acres that are undevelopable, including streets and recreational sites. The land owned by Houston Independent School District is not subject to ad valorem taxation by the District.

Utility Agreement with the City

The District operates pursuant to that certain Utility Functions and Services Allocation Agreement between the City of Houston (the "City") and the District (by virtue of an assignment) dated as of September 26, 2002 (the "Utility Agreement"). The term of the Utility Agreement is 50 years. Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities and services to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to make annual tax and monthly water and sewer revenue rebate payments to the District in consideration of the District's financing, acquisition, and construction of the Facilities. See "THE BONDS—Rebates from City of Houston." Under the terms of the Utility Agreement, the District is deemed to be the alter ego of the City, and, as such, the District agrees to act as the alter ego of the City for purposes of financing, constructing and acquiring the Facilities and agrees to perform the duties and functions necessary to provide services to the landowners and customers of the District.

The Facilities: The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and major offsite water distribution lines to the water source and wastewater treatment capacity and major offsite wastewater trunk collection line capacity to the wastewater treatment plant.

Authority of District to Issue Bonds: The District has the authority to issue, sell, and deliver bonds as permitted by law and City of Houston Ordinance Nos. 2002-763, 2010-580, 2013-1005 and 2015-1244. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

Ownership, Operation, and Maintenance of the Facilities: Upon completion of construction of the Facilities, the District agrees to convey the Facilities (other than storm water detention systems as discussed below) to the City, reserving for itself a security interest in the Facilities for the purpose of securing the performance of the City under the Utility Agreement. The District may convey storm water channels, stormwater detention ponds and systems and/or stormwater pollution prevention and quality control systems, basins and devices to the City if they are not conveyed to and accepted by the Harris County Flood Control District. When all bonds issued by the District to acquire and construct the Facilities have been issued and subsequently paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall then own the Facilities without encumbrance. As each phase of the Facilities is completed, the City agrees to inspect the same and upon approval will accept the Facilities for operation and maintenance. The Facilities will be operated and maintained by the City at its sole cost and expense. If the City determines that the Facilities or any portion thereof have not been constructed in accordance with approved plans and specifications prior to accepting such Facilities, the City agrees to notify the District, and the District shall immediately correct any deficiency noted by the City.

Acceptance of Roads by City: As required by Section 54.234, Texas Water Code, as amended, the Roads, as defined below, have been, or upon construction, will be accepted by the City of Houston for operation and maintenance in accordance with the procedures of the City of Houston. The District will not operate or maintain the Roads. See “THE ROADS.”

Rates for Service: The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion, determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside the District. The City may impose a charge for connection to the water supply portion of the Facilities at a rate determined by the City so long as that charge is equal to sums charged to other comparable users within the City.

Annual Payment and Monthly Revenue Payments: The City has agreed to make an annual payment (herein the "Annual Payment") consisting of that portion of the City property tax relating to storm sewer and assumed water district debt in accordance with a formula set forth in the Utility Agreement. The Annual Payment is adjusted in accordance with the Utility Agreement on January 1 of each calendar year. In addition to the Annual Payment, the City has agreed to make a monthly revenue payment (“Monthly Revenue Payment”) pursuant to the formula set forth in the Utility Agreement. The rates utilized in the formula set forth in the Utility Agreement may be changed from time to time by the City in accordance with the terms of the Utility Agreement. The total amount of the Monthly Revenue Payments made by the City in each calendar year shall not exceed the District's debt service requirements for unlimited tax bonds for such calendar year. The Monthly Revenue Payments are adjusted in accordance with the Utility Agreement on January 1 of each calendar year. If the combined debt service tax levied by the District and ad valorem tax levied by the City goes below $1.28 per $100 of assessed valuation, the payments by the City may be reduced or eliminated. See “THE BONDS—Rebates from City of Houston.”

Dissolution of the District: The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. See “THE BONDS—Abolishment.”

Public Improvement Agreement (MUD 390 City Park Proximity Agreement)

The District and the City entered into the Public Improvement Agreement (MUD 390 City Park Proximity Agreement) (the “Agreement”) dated and approved by the City on December 9, 2015, pursuant to Section 552.014 of the Texas Local Government Code, Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, and City of Houston Ordinance No. 2015-1244. Under the Utility Agreement, the District is authorized to issue bonds to finance road improvements and related improvements beneficial to the District and the City. Said road improvements may include all or portions of an extension of Kirby Drive from West Orem Drive north to a City of Houston sports complex, East Orem Drive from State Highway 288 to future Cityscape Avenue, Cityscape Avenue from East Orem Drive to Almeda Genoa, and an extension of East Orem Drive from the boundary of the District to existing East Orem Drive. The City has agreed to make payments to the District in annual amounts as described in the Agreement (each an “Annual Reimbursement Amount”) which will be used by the District to pay debt service on bonds issued by the District to fund the improvements constructed pursuant to the Agreement (collectively, the “Contract Revenue Bonds”) or to directly pay the costs of said improvements. The Contract Revenue Bonds issued pursuant to the Agreement are supported only by the revenue payments from the City and not from property tax revenues of the District. The District issued $6,000,000 principal amount Contract Revenue Road Bonds, Series 2015A pursuant to the Agreement in October 2015 and $5,680,000 principal amount Contract Revenue Road Bonds, Series 2017A pursuant to the Agreement in December, 2017. There are currently no additional bonds authorized to be issued pursuant to the Agreement.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. Two of the Board members reside in the District and the remining three Board members own land within the District, subject to a note and deed of trust in favor of GBF/LIC 288, Ltd. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Mark Witcher	President	May 2022
Thomas El-Gawly	Vice President	May 2022
Shelly Antley	Secretary	May 2022
Deidre Rasheed	Asst. Secretary	May 2024
Jessica Kemp	Asst. Secretary	May 2024

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris County Appraisal District. The District contracts with Wheeler & Associates, Inc. to act as Tax Assessor/Collector for the District.

Utility System Operator

The City of Houston operates and maintains the water and wastewater system that serves the District.

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services.

Engineer

The District's consulting engineer is Pape-Dawson Engineers, Inc.

Auditor

The financial statements of the District as of January 31, 2021, and for the year then ended, included in this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's January 31, 2021, audited financial statements.

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.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

THE DEVELOPERS

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed (except for certain paving costs which are not eligible for reimbursement) from the sale of District bonds to the extent allowed by the Commission, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

GBF/LIC 288, Ltd.

The developer of City Park, Sections 1 through 5, City Park West, Sections 1 through 8 and City Park South, Section 1 is GBF/LIC 288, Ltd. (the "GBF/LIC 288"). The partnership consists of FirstLand Investment Corporation, a Texas corporation, as the managing general partner and GBF 288 Holdings Ltd., a Texas limited partnership, and Forestar (USA) Real Estate Group, Inc., ("Forestar") as the limited partners. GBF/LIC 288 was formed in 2001 for the sole purpose of acquiring and developing the approximately 375 acres which originally comprised the District. GBF/LIC 288 owns approximately 34 acres of undeveloped land in the District. Forestar provides management services to GBF/LIC 288 Ltd. for the City Park development. GBF/LIC 288 has no legal commitment to the District or holders of the Bonds to continue development of land within the District, and GBF/LIC 288 may sell or otherwise dispose of its property within the District, or any other assets, at any time.

D.R. Horton-Texas, Ltd.

D.R. Horton-Texas, Ltd. ("D.R. Horton") has developed City Park South Sections 2, 3, 4, 5 and 6 and City Gate Sections 1, 2, 3 and 4. DR Horton Homes is building homes in City Gate Sections 3 and 4, which have an average sales price of approximately $310,000. In addition, utilities to serve City Gate, Section 5 (100 lots on approximately 18 acres) and Section 6 (122 lots on approximately 22 acres) are currently under construction with completion expected in the first quarter of 2022. D.R. Horton currently owns no additional land remaining to be developed. The District has petitioned the City of Houston for consent to annex an additional 55.352 acres of land owned by D.R. Horton.

Additional Developers

Reserve at City Park South LP ("Reserve at CP South") owns approximately 66 acres of undeveloped land in the District.

RK City Park I, LLC ("RK City Park") owns approximately 24 acres of land in the District, which have been developed for commercial purposes, but currently have no above ground improvements constructed.

JRC/Almeda Genoa, Ltd. ("JRC Almeda") owns approximately 20 acres of undeveloped land in the District.

Quasar City Park, Ltd.("Quasar") owns approximately 43 acres of land in the District. which have been developed for commercial purposes, but currently have no above ground improvements constructed.

Collectively, GBF/LIC 288, D.R. Horton, Reserve at CP South, RK City Park, JRC Almeda and Quasar are referred to as the "Developers." The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developers' financial condition is subject to change at any time. Neither the Developers nor any affiliate of the Developers, if any, are obligated to pay principal of or interest on the Bonds. Furthermore, the Developers have no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

THE ROADS

Proceeds from bonds previously issued by the District have been used to finance the road system (the "Roads") which serves the residents of the District by providing collector roads and portions of major thoroughfares within the District and the surrounding area. The Roads financed by the District are comprised of (i) Phases I and II of Kirby Drive (financed through the issuance of the District's Unlimited Tax Road Bonds, Series 2011), which functions as a major thoroughfare by conveying the residents of the District between West Orem Drive and Almeda-Genoa Road, (ii) West Orem Drive Phase I which functions as a major thoroughfare by conveying the residents of the District to the major freeway (State Highway 288) and City Park Central Lane which serves as a collector road by conveying the residents of the District to the major thoroughfares (West Orem Drive and Almeda-Genoa Road) and eventually State Highway 288 (financed through the issuance of the District's Unlimited Tax Road Bonds, Series 2015), (iii) East Orem Drive, from State Highway 288 to a Harris County Flood Control Channel, and Cityscape Avenue from West Orem Drive to Almeda-Genoa Road (financed through the issuance of the District's Contract Revenue Road Bonds, Series 2015A) and (iv) East Orem Drive, from a Harris County Flood Control Channel to the existing East Orem Drive near Scott Street, and a portion of Kirby Drive from Orem Drive to the City's Amateur Sports Complex (financed through the issuance of the District's Contract Revenue Road Bonds, Series 2017A). As required by Section 54.234, Texas Water Code, as amended, the Roads have been, or, upon construction will be, accepted by the City of Houston for operation and maintenance in accordance with the procedures of the City of Houston. The District will not operate or maintain the Roads.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System by the City must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Harris County and, in some instances, the Commission. Harris County, the City of Houston, and the Texas Department of State Health Services also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District's Engineer.

Water Distribution and Sanitary Sewer Collection and Drainage System

The System includes water, sanitary sewer and drainage facilities to serve the subdivisions, apartments, and commercial improvements described under the section "THE DISTRICT."

Water Supply

The District receives potable water from the City of Houston's regional distribution system as outlined in the Utility Agreement. The District does not have wells or water plant facilities of its own. The City has allocated sufficient capacity to serve the District's ultimate water supply requirements. See "THE DISTRICT—Utility Agreement with the City."

Wastewater Treatment Facilities

The District is served by a City of Houston Wastewater Treatment Plant as outlined in the Utility Agreement in which the City has agreed to provide the District with its ultimate requirements for wastewater treatment capacity, subject to the payment of impact fees or the applicability of an exemption to said fees in accordance with City of Houston ordinances. The District does not have wastewater treatment plant facilities of its own. The City has allocated to the development within the District 5,636 equivalent single-family connections ("ESFCs") in a City of Houston Wastewater Treatment Plant. See "THE DISTRICT—Utility Agreement with the City."

Storm Water Drainage Facilities

Part of the District's natural drainage pattern allow for the run-off to be conveyed into man-made channels along West Orem Drive and to the West of State Highway 288. There is also a regional detention pond that captures flows for the southern half of the development which conveys the remaining flows under State Highway 288 by-way or storm system. Both of these systems eventually outfall into Sims Bayou. The general drainage improvements for the District include storm sewers, drainage channels and two detention ponds that both eventually drain into Sims Bayou.

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 rainstorm 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. According to the Engineer, approximately 11 acres of land in the District was located within the 100-year flood plain according to Federal Emergency Management Association ("FEMA") Flood Insurance Rate maps. The District submitted a Letter of Map Revision ("LOMR") based on fill to the required regulatory agencies. This LOMR was approved by FEMA on October 23, 2012, thereby removing said acreage from the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events" and "—Atlas 14."

Ownership, Operation, and Maintenance of Utility Facilities

The City of Houston owns, operates, and maintains all water, sanitary sewer and storm sewer drainage facilities within the District in accordance with the Utility Agreement. Stormwater channels, stormwater detention ponds and systems and/or stormwater pollution prevention and quality control systems, basins and devices may be conveyed to the City of Houston if not conveyed to and accepted by the Harris County Flood Control District into its system. See "THE DISTRICT—Utility Agreement with the City."

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to reimburse the Developers for a portion of the costs of financing: (1) water, sanitary sewer and drainage facilities to serve City Gate Sections One and Two; (2) drainage for City Gate Detention Phase One; and (3) engineering for the above referenced projects. Proceeds from the Bonds will also be used to pay certain costs related to the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

CONSTRUCTION RELATED COSTS		
Construction Costs Approved by the Commission	$	3,965,277
Accrued Interest on Construction Costs		344,354
Total Construction Related Costs	**$**	**4,309,631**
NON-CONSTRUCTION COSTS		
Underwriter's Discount (a)	$	142,988
Total Nonconstruction Costs	**$**	**142,988**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	269,904
Bond Application Report Costs		50,000
State Regulatory Fees		16,765
Contingency (a)		712
Total Issuance Costs and Fees	**$**	**337,381**
TOTAL BOND ISSUE	**$**	**4,790,000**

(a) The Commission approved a maximum Underwriter's discount of $143,700 or 3.0% of the Bonds. Contingency represents surplus funds resulting from the sale of the Bonds at a lower Underwriter's discount than estimated and can be used for purposes allowed and approved by the Commission.

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission 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 to pay The Developers for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purpose.

Future Debt

After reimbursement from Bond proceeds, the Developers will have expended approximately $4,500,000 (as of November 1, 2021) for design, construction, engineering and acquisition of the District's water, sewer and drainage facilities for which it has not been reimbursed. It is anticipated that additional bonds will be issued in the future to reimburse the Developers, to serve the undeveloped acreage within the District and to obtain additionally required wastewater treatment plant capacity and/or water plant capacity as well as other District facilities. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds should be adequate, under present land use projections, to finance such improvements.

FINANCIAL STATEMENT

2021 Taxable Assessed Valuation	$525,098,208	(a)
Estimated Taxable Assessed Valuation as of October 1, 2021	$583,170,213	(b)
Gross Direct Debt Outstanding	$42,655,000	(c)
Estimated Overlapping Debt	16,223,624	
Total Gross Direct Debt and Estimated Overlapping Debt	$58,878,624	
Ratio of Gross Direct Debt to: 2021 Taxable Assessed Valuation	8.12%	
Ratio of Gross Direct and Estimated Overlapping Debt to: 2021 Taxable Assessed Valuation	11.21%	
Ratio of Gross Direct Debt to: Estimated Taxable Assessed Valuation as of October 1, 2021	7.31%	
Ratio of Gross Direct and Estimated Overlapping Debt to: Estimated Taxable Assessed Valuation as of October 1, 2021	10.10%	
Construction Funds Available as of December 15, 2021	$854,159	
Operating Funds Available as of December 15, 2021	$339,976	
Debt Service Funds Available for Unlimited Tax Water, Sewer and Drainage Bonds and Park Bonds as of December 15, 2021	$2,424,070	(d)
Debt Service Funds Available for Unlimited Tax Road Bonds as of December 15, 2021	$219,193	(d)

Area of District – 812 Acres
Estimated 2021 Population – 8,866 (e)

(a) Value includes $491,499,611 of taxable value as certified by the Harris County Appraisal District (the "Appraisal District") and $33,598,597 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2021, which totals $525,098,208. See "TAX PROCEDURES."

(b) As estimated by the Appraisal District as of October 1, 2021 for informational purposes only. The certified 2021 assessed valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2021 to October 1, 2021. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."

(c) After giving effect to issuance of the Bonds. Excludes the District's Contract Revenue Bonds payable from certain payments to be made to the District by the City of Houston. See "THE DISTRICT—Public Improvement Agreement (MUD 390 City Park Proximity Agreement.) and "FINANCIAL STATEMENT—Outstanding Bonds."

(d) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

(e) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued a total of $73,330,000 principal amount of unlimited tax bonds (including unlimited tax park bonds, unlimited tax road bonds, unlimited tax road refunding bonds and unlimited tax refunding bonds), of which $37,865,000 principal amount is currently outstanding (the "Outstanding Bonds"). The District has also issued $11,680,000 principal amount of Contract Revenue Bonds, of which $10,505,000 principal amount is currently outstanding. The following tables list the original principal amount and amount outstanding of the Outstanding Bonds, and original principal amount and amount outstanding of Contract Revenue Bonds.

Unlimited Tax Bonds

Series	Original Principal Amount	Principal Amount Currently Outstanding
Unlimited Tax Bonds, Series 2014	$ 2,605,000	$ 10,000
Unlimited Tax Road Bonds, Series 2015	3,750,000	80,000
Unlimited Tax Refunding Bonds, Series 2016	10,075,000	8,120,000
Unlimited Tax Bonds, Series 2017	6,955,000	5,250,000
Unlimited Tax Bonds, Series 2018	3,000,000	3,000,000
Unlimited Tax Park Bonds, Series 2018A	3,000,000	2,700,000
Unlimited Tax Refunding Bonds, Series 2019	1,735,000	1,535,000
Unlimited Tax Bonds, Series 2019A	6,605,000	6,460,000
Unlimited Tax Road Refunding Bonds, Series 2020	1,160,000	1,105,000
Unlimited Tax Refunding Bonds, Series 2021	3,545,000	3,545,000
Unlimited Tax Refunding Bonds, Series 2022	2,645,000	2,645,000
Unlimited Tax Road Refunding Bonds, Series 2022A	3,415,000	3,415,000
Total		$ 37,865,000

Contract Revenue Bonds

Series	Original Principal Amount	Principal Amount Currently Outstanding
Contract Revenue Road Bonds, Series 2015A	$ 6,000,000	$ 5,340,000
Contract Revenue Road Bonds, Series 2017A	5,680,000	5,165,000
		$ 10,505,000

GENERAL FUND OPERATIONS

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended January 31, 2018 through 2021 and in the case of the unaudited financial information for the period ended September 30, 2021, the District's bookkeeper. Reference is made to such records and statements for further and more complete information.

		Fiscal Year Ended January 31			
	2/1/21 to 9/30/21 (a)	2021	2020	2019	2018
REVENUES:					
Property Taxes	$ 280,854	$ 638,634	$ 468,765	$ 477,005	$ 205,232
Sales Tax Rebates		561,405 (b)	640,818 (b)	-	-
Investment Revenues	359	4,076	7,720	-	-
Other	127	596	12,974	689	271
TOTAL REVENUES	$ 281,340	$1,204,711	$1,130,277	$ 477,694	$ 205,503
EXPENDITURES:					
Professional Fees	$ 165,445	$ 283,686	$ 304,236	$ 161,371	$ 118,279
Contracted Services	133,245	97,613	25,250	26,908	23,531
Repairs and Maintenance	73,396	150,174	75,636	76,888	65,434
Capital Outlay	-	599,305 (b)	623,749 (b)	-	-
Other Expenditures	27,526	32,670	27,540	49,451	27,395
TOTAL EXPENDITURES	$ 399,612	$1,163,448	$1,056,411	$ 314,618	$ 234,639
NET REVENUES	$ (118,272)	$ 41,263	$ 73,866	$ 163,076	$ (29,136)
OTHER FINANCING SOURCES (USES)					
Developer Advances	$ -	$ -	$ -	$ 24,075	$ 112,641
Transfers In/(Out)	-	43,213	-	(13,325)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$ (118,272)	$ 84,476	$ 73,866	$ 173,826	$ 83,505
BEGINNING FUND BALANCE	$ 311,108	$ 226,632	$ 152,766	$ (21,060)	$ (104,565)
ENDING FUND BALANCE	$ 192,836	$ 311,108	$ 226,632	$ 152,766	$ (21,060)

(a) Unaudited. Provided by the District's bookkeeper.
(b) Represents rebates received from City of Houston for "Pink Zone" and were used for Developer reimbursements shown in "Capital Outlay".

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. 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. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$ 1,584,697,125	11/30/2021	0.10%	$ 1,584,697
Harris County Flood Control District	584,900,000	11/30/2021	0.10%	584,900
Harris County Hospital District	81,540,000	11/30/2021	0.10%	81,540
Harris County Department of Education	20,185,000	11/30/2021	0.10%	20,185
Port of Houston Authority	469,434,397	11/30/2021	0.10%	469,434
Houston Community College	492,485,000	11/30/2021	0.21%	1,034,219
Houston ISD	2,558,485,000	11/30/2021	0.24%	6,140,364
City of Houston	3,504,603,000	11/30/2021	0.18%	6,308,285
Total Estimated Overlapping Debt				$ 16,223,624
The District's Total Direct Unlimited Tax Debt (a)				42,655,000
Total Direct and Estimated Overlapping Debt				$ 58,878,624
Direct and Estimated Overlapping Debt as a Percentage of:				
2021 Taxable Assessed Valuation				11.21%
Estimated Taxable Assessed Valuation as of October 1, 2021				10.10%

(a) Includes the Bonds.

Overlapping Tax Rates for 2021

	2021 Tax Rate per $100 of Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority	$ 0.586340
Houston ISD	1.094400
Houston Community College	0.099092
City of Houston	0.550830
The District (a)	0.700000
Total Overlapping Tax Rate	$ 3.030662

(a) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Net Certified Taxable Valuation	Tax Rate	Total Tax Levy	Total Collections as of November 30, 2021 Amount	Percent
2016	$ 293,566,249	$ 0.7000	$ 2,054,964	$ 2,054,964	100.00%
2017	317,315,444	0.7000	2,221,208	2,219,137	99.91%
2018	362,061,757	0.7000	2,534,432	2,531,609	99.89%
2019	427,359,962	0.7000	2,991,520	2,984,384	99.76%
2020	478,596,265	0.6965	3,333,423	3,321,564	99.64%
2021	525,098,208	0.7000	3,675,687	(a)	(a)

(a) In process of collection. Taxes for 2021 are due by January 31, 2022.

Taxes are due upon receipt of 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. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service	$0.5500	$0.5500	$0.5500	$ 0.5700	$ 0.5500
Maintenance and Operations	0.1500	0.1465	0.1500	0.1300	0.1500
Total	$0.7000	$0.6965	$0.7000	$ 0.7000	$ 0.7000

Tax Rate Limitations

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 Assessed Valuation (water, sanitary sewer and drainage facilities)
	$0.10 per $100 Assessed Valuation (recreational facilities)

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations payable from taxes, is adequate to provide funds to pay the principal of and interest on such debt. See "THE BONDS—Authority for Issuance."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements and payment of operation and administrative costs, if such maintenance tax is authorized by a vote of the District's electors. On May 3, 2003, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.50 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2021 in the amount of $0.15 per $100 assessed valuation. At an election held on May 15, 2004, voters in the District authorized the Board to levy a maintenance tax in an amount not to exceed $0.10 for maintenance of recreational facilities. The District has not yet levied a tax specifically for the maintenance of recreational facilities.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion ($491,499,611) of the 2021 Taxable Assessed Valuation of $525,098,208, which reflects ownership at January 1, 2021. Principal taxpayer lists related to the uncertified portion of the 2021 Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of October 1, 2021 are not available.

Taxpayer	Type of Property	2021 Certified Taxable Assessed Valuation	% of 2021 Certified Taxable Assessed Valuation
GWR City Park Partners Ltd.	Land & Improvements	$ 29,792,042	6.06%
Stonebridge Houston LLC	Land & Improvements	25,793,329	5.25%
Ranch at City Park Owner LLC	Land & Improvements	25,674,515	5.22%
Orem Health Realty LLC	Land & Improvements	10,551,088	2.15%
DR Horton-Texas Ltd	Land & Improvements	7,993,859	1.63%
Quasar City Park Ltd.	Land	5,116,413	1.04%
Three VP Texas LP	Land & Improvements	4,189,125	0.85%
Texas Petroleum Group LLC	Land & Improvements	3,594,489	0.73%
Centerpoint Energy Houston Electric	Utilities	2,090,800	0.43%
RK City Park North LLC	Land	942,594	0.19%
Total		$ 115,738,254	23.55%

Summary of Assessed Valuation

The following breakdown of the 2017 through 2021 Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2017 through 2021 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. Breakdowns related to the uncertified portion of the 2021 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of October 1, 2021 are not available.

	2021	2020	2019	2018	2017
Land	$ 92,728,379	$ 81,586,843	$ 79,459,857	$ 66,613,243	$ 65,132,760
Improvements	409,615,223	406,066,255	356,009,631	302,492,035	256,731,191
Personal Property	3,570,541	4,696,440	3,878,276	2,514,741	3,093,030
Exemptions	(14,414,532)	(13,753,273)	(11,987,802)	(9,558,262)	(7,641,537)
Total Certified Value	$491,499,611	$478,596,265	$427,359,962	$362,061,757	$317,315,444
Uncertified Value	33,598,597	-	-	-	-
Total Assessed Valuation	$525,098,208	$478,596,265	$427,359,962	$362,061,757	$317,315,444

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2021 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of October 1, 2021 and no use of debt service funds on hand and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement at a 95% collection rate. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2022-2045)....................$2,329,578
$0.47 Tax Rate on 2021 Taxable Assessed Valuation....................$2,344,563
$0.43 Tax Rate on the Estimated Taxable Assessed Valuation as of October 1, 2021....................$2,382,250

Maximum Annual Debt Service Requirement (2023)....................$2,945,735
$0.60 Tax Rate on 2021 Taxable Assessed Valuation....................$2,993,060
$0.54 Tax Rate on the Estimated Taxable Assessed Valuation as of October 1, 2021....................$2,991,663

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The 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 2021 tax year, the District has granted an exemption of $5,000 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 a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) subject to an amendment to the Texas Constitution to be considered at an election on November 2, 2021, fatally injured in the line of duty, 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 Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. 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 2021 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires 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.

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

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 Property 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. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, 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" herein. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2021, approximately 80 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

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 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 Texas 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 "ESTIMATED 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."

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "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." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate.

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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 in the district, subject to certain homestead exemptions, 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 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 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. 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.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the Bonds.

Year	Outstanding Debt Service	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2022	$ 2,664,082		$ 76,977	$ 76,977	$ 2,741,059
2023	2,720,616	$ 100,000	125,119	225,119	2,945,735
2024	2,707,379	100,000	120,869	220,869	2,928,248
2025	2,708,779	100,000	116,369	216,369	2,925,148
2026	2,695,854	100,000	111,869	211,869	2,907,723
2027	2,689,504	100,000	107,369	207,369	2,896,872
2028	2,684,304	100,000	104,119	204,119	2,888,422
2029	2,673,660	100,000	102,119	202,119	2,875,779
2030	2,644,394	100,000	100,119	200,119	2,844,513
2031	2,655,463	100,000	98,119	198,119	2,853,582
2032	2,644,249	100,000	96,119	196,119	2,840,367
2033	2,621,750	100,000	93,994	193,994	2,815,744
2034	2,718,391	100,000	91,744	191,744	2,910,134
2035	2,221,669	265,000	87,472	352,472	2,574,141
2036	2,176,475	275,000	81,059	356,059	2,532,534
2037	2,169,906	290,000	74,350	364,350	2,534,256
2038	1,843,338	300,000	67,344	367,344	2,210,681
2039	1,934,519	310,000	59,906	369,906	2,304,425
2040	1,452,406	325,000	51,969	376,969	1,829,375
2041	1,160,438	335,000	43,509	378,509	1,538,947
2042	731,500	350,000	34,519	384,519	1,116,019
2043	710,500	365,000	25,134	390,134	1,100,634
2044	-	380,000	15,356	395,356	395,356
2045	-	395,000	5,184	400,184	400,184
Total	$ 49,229,173	$ 4,790,000	$ 1,890,706	$ 6,680,706	$ 55,909,879

Maximum Annual Debt Service Requirement (2023) $2,945,735
Average Annual Debt Service Requirements (2022-2045) $2,329,578

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With easing or removal of COVID-19 related governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstitution of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally during the last 18 months, 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.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe 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 multiple 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 Engineer, the District's system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. To the best knowledge of the District, no homes or other improvements within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

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

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect January 1, 2018, and the new and amended City of Houston regulations took effect September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City of Houston regulations.

These Harris County and City of Houston regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

National Weather Service Study and Flood Plain Regulations

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in 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.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, multi-family apartment complexes, undeveloped land and developed lots which are currently being marketed by D.R. Horton-Texas, Ltd. for the construction of primary residences. The market value of such properties and lots is related to general economic conditions affecting the demand for residences. Demand for lots and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "THE DISTRICT—Residential Development."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 8 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 a decline in the nation's economic condition could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2021 Taxable Assessed Valuation of the District is $525,098,208 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the maximum annual debt service requirement will be $2,945,735 (2023) and the average annual debt service requirement will be $2,329,578 (2022-2045). Assuming no increase or decrease from the 2021 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.60 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,945,735 and a tax rate of $0.47 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $2,329,578 See "DEBT SERVICE REQUIREMENTS." The Estimated Taxable Assessed Valuation as of October 1, 2021 within the District is $583,170,213. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of October 1, 2021 and a 95% collection rate, a tax rate of $0.54 per $100 assessed valuation would be necessary to pay the maximum annual requirement and a tax rate of $0.43 per $100 assessed valuation would be necessary to pay the average annual requirement. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2021 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of October 1, 2021, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Dependence on Principal Taxpayers

Based on the certified portion ($491,499,611) of the 2021 tax roll, the top ten taxpayers are responsible for $115,738,254 or 23.55% of the District's 2021 taxes. See "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Bond Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Future Debt

The District reserves in the Bond Order the right to issue the remaining $75,415,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities for the District, the remaining $38,000,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing recreational facilities for the District, the remaining $4,675,000 in principal amount of authorized but unissued unlimited tax road bonds for the purpose of refunding the outstanding unlimited tax bonds of the District, the $159,300,021.47 principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding unlimited tax WSD or Park bonds of the District, and any additional unlimited tax bonds which may be voted hereafter. After reimbursement from Bond proceeds, the Developers will have expended approximately $4,500,000 (as of November 1, 2021) for design, construction, engineering and acquisition of the District's water, sewer and drainage facilities for which it has not been reimbursed. See "THE BONDS—Issuance of Additional Unlimited Tax Debt," "—Financing Road Facilities," and "—Financing Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Unlimited Tax Debt." The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sewer and drainage facilities or recreational facilities must be approved by the Commission. The Engineer has stated that the District's authorized but unissued bonds will be adequate to complete the development of the District. See "THE SYSTEM—Future Debt."

Environmental and Air Quality 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 released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- 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 Issue*s: 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 "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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.

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 the subject of further litigation.

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, 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.

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

Registered Owners Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) 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, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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 description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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 Initial Purchaser has 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 "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

Marketability

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook), to the Bonds with the understanding that, upon delivery of the Bonds, a Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "BBB" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" 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 APPENDIX B 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.

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately $2,910 million.
- The contingency reserve of AGM was approximately $963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of 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,” “THE DISTRICT—General,” “—Utility Agreement with the City,” and “—Public Improvement Agreement (MUD 390 City Park Proximity Agreement,” “MANAGEMENT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds 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.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc.(the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0149% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.735459% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" "— Pape-Dawson Engineers, Inc.; "THE DEVELOPERS" — GBF/LIC 288, Ltd., Reserve at CP South, D.R. Horton-Texas, Ltd., RK City Park I, LLC, JRC/Almeda "TAX PROCEDURES" —Wheeler & Associates, Inc. and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"—Engineer; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"—Harris County Appraisal District, Wheeler & Associates, Inc. and the Municipal Advisory Council of Texas.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Pape-Dawson Engineers, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Wheeler & Associates, Inc. and is included herein in reliance upon Wheeler & Associates, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District, as of January 31, 2021, 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 A" for a copy of the District's January 31, 2021 audited financial statements.

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "GENERAL FUND OPERATIONS" has been provided by Municipal Accounts & Consulting L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

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

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. 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 "THE BONDS-Rebates from City of Houston," "FINANCIAL STATEMENT," "TAX DATA," "THE SYSTEM" "GENERAL FUND OPERATIONS" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audited financial statements in Appendix A). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2022.

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 the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is January 31. Accordingly, it must provide updated information by July 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.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. (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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order 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 from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 390, as of the date shown on the cover page.

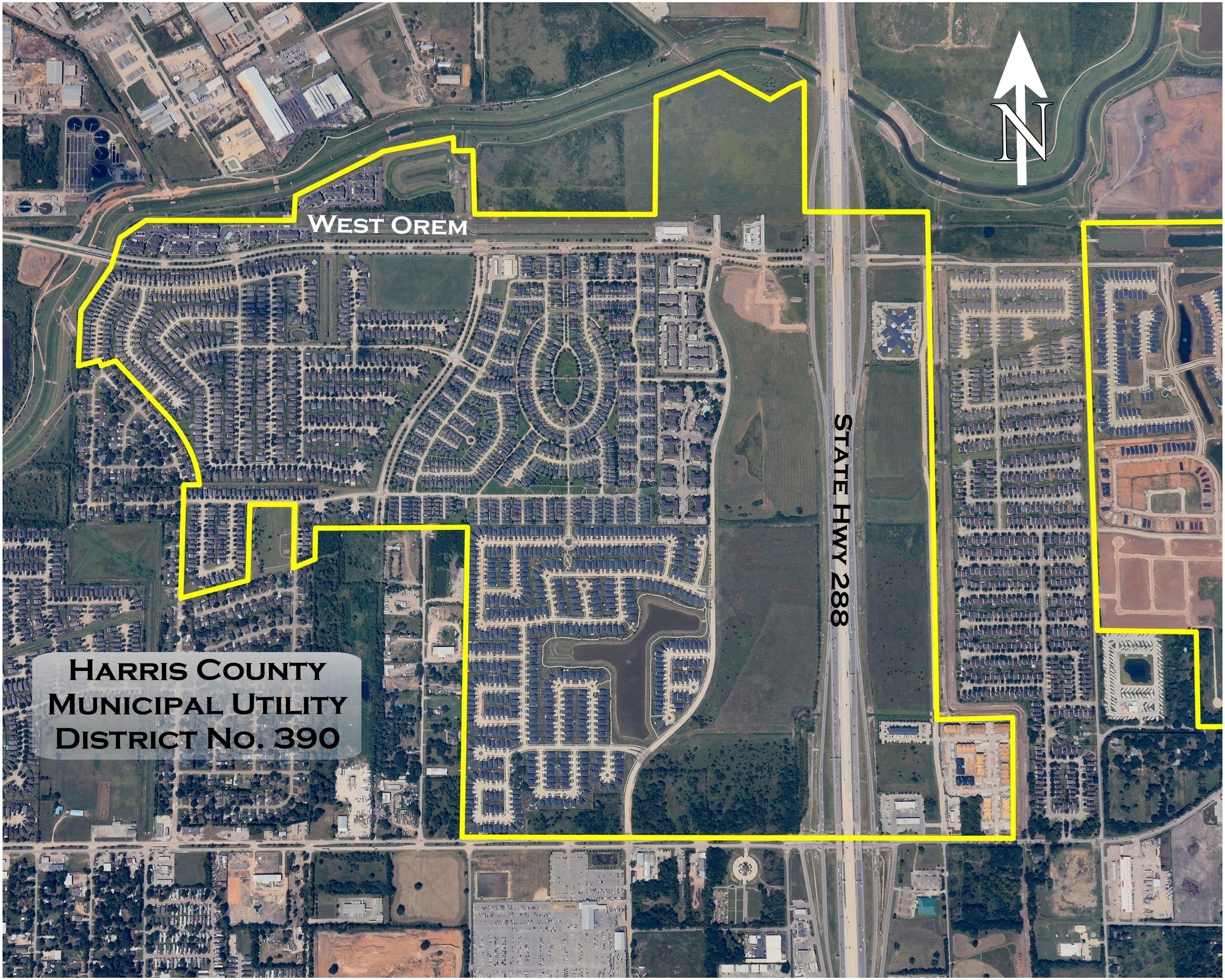
/s/ Mark Witcher
President, Board of Directors
Harris County Municipal Utility District No. 390

ATTEST:

/s/ Shelly Antley
Secretary, Board of Directors
Harris County Municipal Utility District No. 390

AERIAL PHOTO

(Approximate boundaries as of September 2021)


N
West Orem
State Hwy 288
Harris County
Municipal Utility
District No. 390

PHOTOGRAPHS

The following photographs were taken in the District in September 2021 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


Jack


Domino's
NOW HIRING
OPEN


Chevron


11806

APPENDIX A

District Audited Financial Statements for the fiscal year ended January 31, 2021

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Harris County Municipal Utility District No. 390 and certain supplemental information for the fiscal year ended January 31, 2021.

Harris County Municipal Utility District No. 390

Harris County, Texas

Independent Auditor's Report and Financial Statements

January 31, 2021

BKD

CPAs & Advisors

Harris County Municipal Utility District No. 390
January 31, 2021

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 390
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. 390 (the District), as of and for the year ended January 31, 2021, 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 January 31, 2021, 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 schedule 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
June 12, 2021

Harris County Municipal Utility District No. 390
Management's Discussion and Analysis
January 31, 2021

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

	2021	2020
Current and other assets	$ 11,943,133	$ 13,126,585
Capital assets	6,233,460	5,293,097
Total assets	18,176,593	18,419,682
Deferred outflows of resources	628,075	638,047
Total assets and deferred outflows of resources	$ 18,804,668	$ 19,057,729
Long-term liabilities	$ 55,513,706	$ 55,004,228
Other liabilities	940,749	1,531,828
Total liabilities	56,454,455	56,536,056
Deferred inflows of resources	3,111,791	2,993,145
Net position:		
Net investment in capital assets	(43,554)	(1,993,332)
Restricted	3,263,926	3,372,207
Unrestricted	(43,981,950)	(41,850,347)
Total net position	$ (40,761,578)	$ (40,471,472)

The total net position of the District decreased by $290,106, or about 1 percent. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance.

At January 31, 2021, unrestricted net position was $(43,981,950). This amount was negative because, pursuant to a contract between the District and the City of Houston (the City), all water, sanitary sewer and drainage facilities purchased or constructed by the District or its developers, with the exception of certain detention facilities, are conveyed to the City. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	$ 2,990,986	$ 2,528,119
City of Houston revenues	1,526,211	1,605,466
Other revenues	101,692	230,076
Total revenues	4,618,889	4,363,661
Expenses:		
Services	708,410	604,237
Conveyance of capital assets	2,218,391	2,588,598
Capital recovery fees	102,939	1,800,977
Debt service	1,879,255	2,255,767
Total expenses	4,908,995	7,249,579
Change in net position	(290,106)	(2,885,918)
Net position, beginning of year	(40,471,472)	(37,585,554)
Net position, end of year	$ (40,761,578)	$ (40,471,472)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended January 31, 2021, were $8,322,437, a decrease of $717,904 from the prior year.

The general fund's fund balance increased by $84,476 because property tax and rebate revenues and an interfund transfer received from the capital projects fund were greater than operating and capital outlay expenditures.

The debt service fund's fund balance decreased by $143,493 because bond principal and interest requirements were greater than property tax revenues generated and rebates received from the City.

The capital projects fund's fund balance decreased by $658,887 due to capital outlay expenditures exceeding investment and other income.

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 tax revenues and professional fees, contracted services and repairs and maintenance expenditures being greater than anticipated. In addition, City of

Houston rebate revenues and capital outlay expenditures were not included in the current year budget. The fund balance as of January 31, 2021, was expected to be $505,974 and the actual end-of-year fund balance was $311,108.

Capital Assets and Related Debt

Capital Assets

The District has conveyed title of its capital assets to the City, with the exception of certain detention facilities. Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets

	2021	2020
Land and improvements	$ 6,233,460	$ 5,293,097

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

Detention facilities to serve City Gate, Phase 1	$ 702,711
0.1056-acre site to serve City Park South, Section 2, Reserve A	11,677
0.02661-acre site to serve City Park South, Section 4, Reserve A	2,942
0.2283-acre site to serve City Park South, Section 4, Reserve B	25,248
0.3697-acre site to serve City Park South, Section 4, Reserve C	40,885
0.4998-acre site to serve City Park South, Section 5, Reserve A	55,266
0.2410-acre site to serve City Park South, Section 5, Reserve B	26,644
0.0441-acre site to serve City Park South, Section 6, Reserve A	4,877
0.4826-acre site to serve City Park South, Section 6, Reserve B	53,364
0.1515-acre site to serve City Park South, Section 6, Reserve C	16,749
	$ 940,363

Debt

The changes in the debt position of the District during the fiscal year ended January 31, 2021, are summarized as follows:

Long-term debt payable, beginning of year	$ 55,004,228
Increases in long-term debt	5,690,842
Decreases in long-term debt	(5,181,364)
Long-term debt payable, end of year	$ 55,513,706

During the fiscal year ended January 31, 2021, the District issued $1,160,000 in unlimited tax road refunding bonds, Series 2020, to refund $1,065,000 of outstanding Series 2011 road bonds. The District refunded the bonds to reduce total debt service payments over future years by $146,635 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $109,210.

Developers of the District have constructed underground utilities, road and recreational 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 January 31, 2021, a liability for developer-constructed capital assets of $6,526,091 was recorded in the government-wide financial statements.

A developer of the District has advanced funds to the District for their share of a construction project paid for by the District. At January 31, 2021, a liability for developer advances of $138,717 was recorded in the government-wide financial statements.

At January 31, 2021, the District had $30,205,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems, $76,580,269 of unlimited tax refunding bonds authorized, but unissued, for the purpose of refunding outstanding tax bonds of the District, and $4,000 of contract revenue bonds authorized, but unissued, for certain economic development projects.

The District's bonds carry an underlying rating of "BBB-" from Standard & Poor's. The Series 2013A, Refunding Series 2016, Park Series 2018A and Refunding Series 2019 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Municipal Assurance Corp. The Road Series 2015, Series 2017, Series 2018, Series 2019A and Road Refunding Series 2020 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Contracts With the City of Houston

On September 26, 2002, a developer of the District entered into a 50-year contract with the City (the City Contract), which was assigned by the developer to the District on June 17, 2003, to provide water, sanitary sewer and drainage services to customers of the District. Under the terms of the City Contract, the District shall construct or purchase all facilities necessary to provide water, sanitary sewer and drainage services, and services to serve development occurring within the boundaries of the District and, upon completion, convey those facilities to the City, if such facilities are accepted by the City for maintenance. The District retains a security interest in the facilities until all bonds issued to finance the construction of the facilities are retired.

Upon the District's conveyance of the facilities to the City, the City will be the owner and operator of the facilities and will be responsible for all operating costs. The City shall bill all customers within the District's boundaries at rates comparable to in-City customers.

The City Contract provides for monthly revenue payments to be paid to the District by the City based on net revenues collected and annual tax payments. Revenues related to the City Contract for the year ended January 31, 2021, totaled $822,156.

The District has previously entered into an Economic Development Agreement (MUD 390 City Park Proximity Agreement) and an Economic Development Agreement (MUD 390 City Park Agreement) with the City, both effective as of November 13, 2013. The District entered into a Public Improvement Agreement (MUD 390 City Park Proximity Agreement) with the City, effective December 14, 2015, which replaced the Economic Development Agreement (MUD 390 City Park Proximity Agreement). Pursuant to said Agreements, certain roadways and related improvements will be constructed by the District. The District will finance said improvements through direct payment from the City and/or issuance of revenue bonds, the principal and interest on which will be paid from payments from the City. During the current year, the District reported revenues of $704,055 from the City pursuant to the Agreements. During prior years, the District issued its $6,000,000 Contract Revenue Road Bonds, Series 2015A and $5,680,000 Contract Revenue Bonds, Series 2017A pursuant to the terms of said Public Improvement Agreement.

Contingencies

Developers of the District are constructing water, sewer, drainage and road 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 that current construction contract amounts are approximately $3,365,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On April 8, 2021, the District issued $3,545,000 in unlimited tax refunding bonds to refund $2,050,000 of outstanding Series 2013 refunding bonds and $1,430,000 of outstanding Series 2013A bonds. The District refunded the bonds to reduce total debt service payments over future years by $569,175 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $468,944.

Harris County Municipal Utility District No. 390

Statement of Net Position and Governmental Funds Balance Sheet

January 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 500,503	$ 1,024,114	$ 100	$ 1,524,717	$ -	$ 1,524,717
Certificates of deposit	-	1,920,000	-	1,920,000	-	1,920,000
Short-term investments	637,113	2,935,290	4,621,832	8,194,235	-	8,194,235
Receivables:						
Property taxes	44,110	167,617	-	211,727	-	211,727
City of Houston rebates	-	25,435	-	25,435	22,000	47,435
Accrued penalty and interest	-	-	-	-	11,819	11,819
Accrued interest	-	21,200	-	21,200	-	21,200
Interfund receivable	204,278	-	-	204,278	(204,278)	-
Due from others	12,000	-	-	12,000	-	12,000
Capital assets:						
Land and improvements	-	-	-	-	6,233,460	6,233,460
Total assets	1,398,004	6,093,656	4,621,932	12,113,592	6,063,001	18,176,593
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	628,075	628,075
Total assets and deferred outflows of resources	$ 1,398,004	$ 6,093,656	$ 4,621,932	$ 12,113,592	$ 6,691,076	$ 18,804,668

Harris County Municipal Utility District No. 390

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

January 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 86,206	$ 14,107	$ 9,221	$ 109,534	$ -	$ 109,534
Accrued interest payable	-	-	-	-	489,678	489,678
Due to others	341,537	-	-	341,537	-	341,537
Interfund payable	-	204,278	-	204,278	(204,278)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,755,000	1,755,000
Due after one year	-	-	-	-	53,758,706	53,758,706
Total liabilities	427,743	218,385	9,221	655,349	55,799,106	56,454,455
Deferred Inflows of Resources						
Deferred property tax revenues	659,153	2,476,653	0	3,135,806	(24,015)	3,111,791
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	3,398,618	-	3,398,618	(3,398,618)	-
Water, sewer and drainage	-	-	845,801	845,801	(845,801)	-
Roads	-	-	3,766,910	3,766,910	(3,766,910)	-
Unassigned	311,108	-	-	311,108	(311,108)	-
Total fund balances	311,108	3,398,618	4,612,711	8,322,437	(8,322,437)	0
Total liabilities, deferred inflows of resources and fund balances	$ 1,398,004	$ 6,093,656	$ 4,621,932	$ 12,113,592		
Net position:						
Net investment in capital assets					(43,554)	(43,554)
Restricted for debt service					2,962,147	2,962,147
Restricted for capital projects					301,779	301,779
Unrestricted					(43,981,950)	(43,981,950)
Total net position					$ (40,761,578)	$ (40,761,578)

Harris County Municipal Utility District No. 390

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

Year Ended January 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 638,634	$ 2,342,392	$ -	$ 2,981,026	$ 9,960	$ 2,990,986
City of Houston revenue:						
Rebates	561,405	260,751	-	822,156	-	822,156
Contract	-	704,055	-	704,055	-	704,055
Penalty and interest	-	12,565	-	12,565	3,368	15,933
Investment income	4,076	48,626	30,730	83,432	-	83,432
Other income	596	1,731	-	2,327	-	2,327
Total revenues	1,204,711	3,370,120	30,730	4,605,561	13,328	4,618,889
Expenditures/Expenses						
Service operations:						
Professional fees	283,686	3,778	-	287,464	67,163	354,627
Contracted services	97,613	51,591	-	149,204	635	149,839
Repairs and maintenance	150,174	-	-	150,174	-	150,174
Other expenditures	32,670	21,009	91	53,770	-	53,770
Capital outlay	599,305	-	784,191	1,383,496	(1,383,496)	-
Conveyance of capital assets	-	-	-	-	2,218,391	2,218,391
Capital recovery fees	-	-	-	-	102,939	102,939
Debt service:						
Principal retirement	-	1,745,000	-	1,745,000	(1,745,000)	-
Interest and fees	-	1,696,028	-	1,696,028	86,546	1,782,574
Debt issuance costs	-	95,842	839	96,681	-	96,681
Total expenditures/expenses	1,163,448	3,613,248	785,121	5,561,817	(652,822)	4,908,995
Excess (Deficiency) of Revenues						
Over Expenditures	41,263	(243,128)	(754,391)	(956,256)	666,150	

Harris County Municipal Utility District No. 390

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

Year Ended January 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 43,213	$ -	$ (43,213)	$ -	$ -	
Developer advances received	-	-	138,717	138,717	(138,717)	
General obligation bonds issued	-	1,160,000	-	1,160,000	(1,160,000)	
Premium on debt issued	-	11,871	-	11,871	(11,871)	
Deposit with escrow agent	-	(1,072,236)	-	(1,072,236)	1,072,236	
Total other financing sources	43,213	99,635	95,504	238,352	(238,352)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	84,476	(143,493)	(658,887)	(717,904)	717,904	
Change in Net Position					(290,106)	$ (290,106)
Fund Balances (Deficit)/Net Position						
Beginning of year	226,632	3,542,111	5,271,598	9,040,341	-	(40,471,472)
End of year	$ 311,108	$ 3,398,618	$ 4,612,711	$ 8,322,437	$ 0	$ (40,761,578)

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

Harris County Municipal Utility District No. 390 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective February 13, 2003, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code 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, drainage, road and recreational facilities and to provide such facilities and services to the customers of the District.

The District lies within the corporate limits of the City of Houston (the City). The District has contracted with the City to supply water, sanitary sewer and drainage services to the District's customers.

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.

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. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2020 on the 2019 levy.

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 January 31, 2021, the tax levied in October 2020 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending January 31, 2022. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The District conveys its water, wastewater and drainage facilities (exclusive of its storm water detention facilities) to the City.

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 components of unrestricted net position at January 31, 2021, are as follows:

General fund, unrestricted fund balance, including deferred taxes	$ 315,735
Conveyed capital assets	(44,297,685)
Total	$ (43,981,950)

The District has financed water, sanitary sewer and drainage facilities, which have been conveyed to the City pursuant to a contract dated September 26, 2002, and has also financed recreational facilities and roads pursuant to applicable state law, 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.	$ 6,233,460
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	24,015
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	11,819
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	628,075
Tax rebates that are not receivable in the current period are not reported in the funds.	22,000
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(489,678)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(55,513,706)
Adjustment to fund balances to arrive at net position.	$ (49,084,015)

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.	$	(717,904)
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 unless the capital assets are conveyed to another entity for maintenance. This is the amount by which conveyed capital assets, capital recovery fees and noncapitalized costs exceeded capital outlay expenditures in the current period.		(1,005,632)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.		(138,717)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(11,871)
Governmental funds report proceeds from the sales of bonds 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.		1,657,236
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are not reported as revenues in the statement of activities.		13,328
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.		(86,546)
Change in net position of governmental activities.	$	(290,106)

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 January 31, 2021, 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 attempts 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 January 31, 2021, the District had the following investments and maturities:

		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	$ 8,194,235	$ 8,194,235	$ 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 January 31, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying value of deposits and investments shown above are included in the balance sheet at January 31, 2021, as follows:

Carrying value:		
Deposits	$	3,444,717
Investments		8,194,235
Total	$	11,638,952

Included in the following statement of net position captions:

Cash	$	1,524,717
Certificates of deposit		1,920,000
Short-term investments		8,194,235
Total	$	11,638,952

Investment Income

Investment income of $83,432 for the year ended January 31, 2021, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of January 31, 2021:

- Pooled investments of $8,194,235 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended January 31, 2021, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 5,293,097	$ 940,363	$ 0	$ 6,233,460

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended January 31, 2021, 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	$ 51,325,000	$ 1,160,000	$ 2,810,000	$ 49,675,000	$ 1,755,000
Add premiums on bonds	86,002	11,871	5,177	92,696	-
Less discounts on bonds	980,321	-	61,523	918,798	-
	50,430,681	1,171,871	2,753,654	48,848,898	1,755,000
Due to developers, advances	-	138,717	-	138,717	-
Due to developers, construction	4,573,547	4,380,254	2,427,710	6,526,091	-
Total governmental activities long-term liabilities	$ 55,004,228	$ 5,690,842	$ 5,181,364	$ 55,513,706	$ 1,755,000

General Obligation Bonds

	Refunding Series 2013	Series 2013A
Amounts outstanding, January 31, 2021	$2,265,000	$1,455,000
Interest rates	2.40% to 4.00%	3.00% to 5.00%
Maturity dates, serially beginning/ending	April 1, 2021/2029	April 1, 2021/2037
Interest payment dates	April 1/ October 1	April 1/ October 1
Callable dates*	April 1, 2021	April 1, 2021

	Series 2014	Road Series 2015
Amounts outstanding, January 31, 2021	$2,465,000	$3,385,000
Interest rates	2.00% to 4.00%	2.000% to 3.625%
Maturity dates, serially beginning/ending	April 1, 2021/2037	April 1, 2021/2039
Interest payment dates	April 1/ October 1	April 1/ October 1
Callable dates*	April 1, 2022	April 1, 2022

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

Harris County Municipal Utility District No. 390

Notes to Financial Statements

January 31, 2021

	Road/Revenue Series 2015A	Refunding Series 2016
Amounts outstanding, January 31, 2021	$5,485,000	$8,610,000
Interest rates	3.000% to 4.625%	2.00% to 3.50%
Maturity dates, serially beginning/ending	December 1, 2021/2041	April 1, 2021/2033
Interest payment dates	June 1/ December 1	April 1/ October 1
Callable dates*	December 1, 2023	April 1, 2023

	Series 2017	Road/Revenue Series 2017A
Amounts outstanding, January 31, 2021	$5,500,000	$5,305,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2021/2040	December 1, 2021/2042
Interest payment dates	April 1/ October 1	June 1/ December 1
Callable dates*	April 1, 2024	December 1, 2024

	Series 2018	Series 2018A Park
Amounts outstanding, January 31, 2021	$3,000,000	$2,800,000
Interest rates	3.00% to 5.50%	3.00% to 5.00%
Maturity dates, serially beginning/ending	April 1, 2022/2041	April 1, 2021/2041
Interest payment dates	April 1/ October 1	April 1/ October 1
Callable dates*	April 1, 2024	April 1, 2024

	Refunding Series 2019	Series 2019A
Amounts outstanding, January 31, 2021	$1,640,000	$6,605,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2021/2034	April 1, 2021/2043
Interest payment dates	April 1/ October 1	April 1/ October 1
Callable dates*	April 1, 2025	April 1, 2025

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

	Road Refunding Series 2020
Amount outstanding, January 31, 2021	$1,160,000
Interest rates	2.00% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2021/2037
Interest payment dates	April 1/ October 1
Callable date*	April 1, 2026

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at January 31, 2021:

Year	Principal	Interest	Total
2022	$ 1,755,000	$ 1,662,972	$ 3,417,972
2023	1,900,000	1,612,321	3,512,321
2024	1,950,000	1,554,373	3,504,373
2025	2,010,000	1,492,980	3,502,980
2026	2,080,000	1,429,939	3,509,939
2027-2031	11,325,000	6,145,822	17,470,822
2032-2036	12,970,000	4,140,209	17,110,209
2037-2041	12,010,000	1,813,216	13,823,216
2042-2044	3,675,000	167,493	3,842,493
Total	$ 49,675,000	$ 20,019,325	$ 69,694,325

Water, sewer and drainage bonds voted*	$ 69,500,000
Water, sewer and drainage bonds sold	39,295,000
Refunding bonds voted*	77,550,000
Refunding bond authorization used	969,731**
Recreational facilities bonds voted*	3,000,000
Recreational facilities bonds sold	3,000,000
Road facilities bonds voted	5,050,000
Road facilities bonds sold	5,050,000
Contract revenue bonds authorized	11,684,000
Contract revenue bonds sold	11,680,000

*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.

**The District has issued $16,260,000 of refunding bonds; however, of such amount, $969,731 has been applied to the voter-authorized bonds and the remaining $15,290,269 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Due to Developers

Developers of the District have constructed underground utilities, road and recreational facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are $6,526,091. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission (if such approval is required) from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

A developer of the District has advanced funds to the District for their share of a construction project paid for by the District. At January 31, 2021, a liability for developer advances of $138,717 was recorded in the government-wide financial statements.

Note 5: Significant Bond Order Requirements

A. The Bond Orders for the unlimited tax bonds 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 January 31, 2021, the District levied an ad valorem debt service tax at the rate of $0.5500 per $100 of assessed valuation, which resulted in a tax levy of $2,457,265 on the taxable valuation of $446,776,727 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues are $2,707,222. The District also covenanted in the Bond Orders for the unlimited tax bonds to deposit the revenues received pursuant to the City Contract (see Note 7) into the debt service fund. The District will utilize available debt service fund resources to satisfy the requirements. In the Bond Orders for the Series 2015A and 2017A Contract Revenue Road Bonds, the District has covenanted to deposit certain revenue received from the City under the MUD 390 Public Improvement Agreement (see Note 7) into a separate subaccount in the debt service fund to pay debt service on the Series 2015A and 2017A Bonds. The interest and principal requirements to be paid from the contract revenues are $710,750.

B. The Commission required the District to escrow $205,137 from the proceeds of its Series 2019A bonds. During the current year, the entire amount of $205,137 was released from escrow.

C. During the year ended January 31, 2021, the District transferred $43,213 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held May 3, 2003, voters authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property within the District subject to taxation. During the year ended January 31, 2021, the District levied an ad valorem maintenance tax at the rate of $0.1465 per $100 of assessed valuation, which resulted in a tax levy of $654,526 on the taxable valuation of $446,776,727 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 15, 2004, voters authorized an additional maintenance tax not to exceed $0.10 per $100 of assessed valuation. This tax is to be specifically used for the maintenance and operation of recreational facilities. During the year ended January 31, 2021, the District did not levy an ad valorem maintenance tax for recreational facilities.

Note 7: Contracts With the City of Houston

On September 26, 2002, the District's developer entered into a 50-year contract with the City (the City Contract), which was assigned by the developer to the District on June 17, 2003, to provide water, sanitary sewer and drainage services to customers of the District. Under the terms of the City Contract, the District shall construct or purchase all facilities necessary to provide water, sanitary sewer and drainage service and services to serve development occurring within the boundaries of the District and, upon completion, convey those facilities to the City.

Upon the District's conveyance of the facilities to the City, the City will be the owner and operator of the facilities and will be responsible for all operating costs. The City will bill all customers within the District's boundaries at rates comparable to in-City customers.

The City Contract provides for monthly revenue payments to be paid to the District by the City based on net revenues collected and annual tax payments. Revenues related to the City Contract totaled $822,156 for the year ended January 31, 2021.

The District has previously entered into an Economic Development Agreement (MUD 390 City Park Proximity Agreement) and an Economic Development Agreement (MUD 390 City Park Agreement) with the City, both effective as of November 13, 2013. During a prior year, the District entered into a Public Improvement Agreement (MUD 390 City Park Proximity Agreement) with the City, effective December 14, 2015, which replaced the Economic Development Agreement (MUD 390 City Park Proximity Agreement). Pursuant to said Agreements, certain roadways and related improvements will be constructed by the District. The District will finance said improvements through direct payment from the City and/or issuance of revenue bonds, the principal and interest on which will be paid from payments from the City. During the current year, the District reported revenues of $704,055 from the City pursuant to the Agreements.

During prior years, the District issued its $6,000,000 Contract Revenue Road Bonds, Series 2015A and its $5,680,000 Contract Revenue Bonds, Series 2017A pursuant to the terms of said Public Improvement Agreement.

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: Contingencies

Developers of the District are constructing water, sewer, drainage and road 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 that current construction contract amounts are approximately $3,365,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 10: Refunding Bonds

During the fiscal year ended January 31, 2021, the District issued $1,160,000 in unlimited tax road refunding bonds, Series 2020, to refund $1,065,000 of outstanding Series 2011 road bonds. The District refunded the bonds to reduce total debt service payments over future years by $146,635 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $109,210.

Note 11: Subsequent Event

On April 8, 2021, the District issued $3,545,000 in unlimited tax refunding bonds to refund $2,050,000 of outstanding Series 2013 refunding bonds and $1,430,000 of outstanding Series 2013A bonds. The District refunded the bonds to reduce total debt service payments over future years by $569,175 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $468,944.

Note 12: 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. 390

Budgetary Comparison Schedule – General Fund

Year Ended January 31, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 611,500	$ 638,634	$ 27,134
City of Houston rebate	-	561,405	561,405
Investment income	9,837	4,076	(5,761)
Other income	5,000	596	(4,404)
Total revenues	626,337	1,204,711	578,374
Expenditures			
Service operations:			
Professional fees	185,000	283,686	(98,686)
Contracted services	26,000	97,613	(71,613)
Repairs and maintenance	80,000	150,174	(70,174)
Other expenditures	55,995	32,670	23,325
Capital outlay	-	599,305	(599,305)
Total expenditures	346,995	1,163,448	(816,453)
Excess of Revenues Over Expenditures	279,342	41,263	(238,079)
Other Financing Sources			
Interfund transfers in	-	43,213	43,213
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	279,342	84,476	(194,866)
Fund Balance, Beginning of Year	226,632	226,632	-
Fund Balance, End of Year	$ 505,974	$ 311,108	$ (194,866)

Harris County Municipal Utility District No. 390
Notes to Required Supplementary Information
January 31, 2021

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2021.

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 presents 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. 390

Other Schedules Included Within This Report

January 31, 2021

(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 14-28

[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. 390

Schedule of Services and Rates

Year Ended January 31, 2021

1. Services provided by the District:

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

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

X Other The District provides water, sanitary sewer and drainage services to its customers through a contract with the City of Houston.

Harris County Municipal Utility District No. 390

Schedule of General Fund Expenditures

Year Ended January 31, 2021

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 27,700	
Legal	84,068	
Engineering	171,918	
Financial advisor	-	283,686
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		-
Contracted Services		
Bookkeeping	26,211	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	71,402	97,613
Utilities		-
Repairs and Maintenance		150,174
Administrative Expenditures		
Directors' fees	8,700	
Office supplies	3,932	
Insurance	4,999	
Other administrative expenditures	15,039	32,670
Capital Outlay		
Capitalized assets	237,652	
Expenditures not capitalized	361,653	599,305
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 1,163,448

Harris County Municipal Utility District No. 390
Schedule of Temporary Investments
January 31, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	0.13%	Demand	$ 28	$ -
Texas CLASS	0.13%	Demand	11,451	-
Texas CLASS	0.13%	Demand	625,634	-
			637,113	0
Debt Service Fund				
Certificates of Deposit				
No. 91300011916481	1.50%	03/19/21	240,000	3,136
No. 469	1.70%	03/19/21	240,000	3,555
No. 11784	1.49%	03/22/21	240,000	3,086
No. 2000000148	1.30%	03/16/21	240,000	2,753
No. 13847	1.10%	03/16/21	240,000	2,329
No. 319251	1.45%	03/20/21	240,000	3,022
No. 6000021391	1.35%	03/21/21	240,000	2,805
No. 9009010031	0.55%	09/11/21	240,000	514
Texas CLASS	0.13%	Demand	1,836,164	-
Texas CLASS	0.13%	Demand	17,378	-
Texas CLASS	0.13%	Demand	270,671	-
Texas CLASS	0.13%	Demand	377,808	-
Texas CLASS	0.13%	Demand	433,269	-
			4,855,290	21,200
Capital Projects Fund				
Texas CLASS	0.13%	Demand	591,971	-
Texas CLASS	0.13%	Demand	32,459	-
Texas CLASS	0.13%	Demand	3,158,055	-
Texas CLASS	0.13%	Demand	143,983	-
Texas CLASS	0.13%	Demand	5,211	-
Texas CLASS	0.13%	Demand	690,153	-
			4,621,832	0
Totals			$ 10,114,235	$ 21,200

Harris County Municipal Utility District No. 390

Analysis of Taxes Levied and Receivable

Year Ended January 31, 2021

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 18,041	$ 69,401
Additions and corrections to prior years' taxes	(442)	(1,717)
Adjusted receivable, beginning of year	17,599	67,684
2020 Original Tax Levy	608,305	2,283,738
Additions and corrections	46,221	173,527
Adjusted tax levy	654,526	2,457,265
Total to be accounted for	672,125	2,524,949
Tax collections: Current year	(615,043)	(2,309,036)
Prior years	(12,972)	(48,296)
Receivable, end of year	$ 44,110	$ 167,617
Receivable, by Years		
2020	$ 39,483	$ 148,229
2019	3,131	11,481
2018	578	2,533
2017	542	1,987
2016	13	117
2015	4	31
2014	19	171
2008	116	1,048
2007	116	1,048
2006	108	972
Receivable, end of year	$ 44,110	$ 167,617

Harris County Municipal Utility District No. 390
Analysis of Taxes Levied and Receivable (Continued)
Year Ended January 31, 2021

	2020	2019	2018	2017
Property Valuations				
Land	$ 78,688,289	$ 79,436,539	$ 66,660,675	$ 66,007,580
Improvements	377,140,054	355,860,137	305,314,519	259,607,755
Personal property	3,633,992	3,433,106	2,174,382	2,145,234
Exemptions	(12,685,608)	(11,136,491)	(9,110,547)	(6,796,934)
Total property valuations	$ 446,776,727	$ 427,593,291	$ 365,039,029	$ 320,963,635
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.5500	$ 0.5500	$ 0.5700	$ 0.5500
Maintenance tax rates*	0.1465	0.1500	0.1300	0.1500
Total tax rates per $100 valuation	$ 0.6965	$ 0.7000	$ 0.7000	$ 0.7000
Tax Levy	$ 3,111,791	$ 2,993,145	$ 2,555,267	$ 2,246,739
Percent of Taxes Collected to Taxes Levied**	94%	99%	99%	99%

*Maximum tax rate approved by voters: $1.50 on May 3, 2003
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 390

Schedule of Long-term Debt Service Requirements by Years

January 31, 2021

Due During Fiscal Years Ending January 31	Refunding Series 2013 Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 215,000	$ 75,580	$ 290,580
2023	225,000	68,811	293,811
2024	230,000	61,530	291,530
2025	240,000	53,832	293,832
2026	250,000	45,623	295,623
2027	260,000	36,758	296,758
2028	270,000	27,215	297,215
2029	285,000	16,944	301,944
2030	290,000	5,800	295,800
Totals	$ 2,265,000	$ 392,093	$ 2,657,093

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Series 2013A		
Due During Fiscal Years Ending January 31	**Principal Due April 1**	**Interest Due April 1, October 1**	**Total**
2022	$ 25,000	$ 69,188	$ 94,188
2023	25,000	68,406	93,406
2024	25,000	67,563	92,563
2025	25,000	66,656	91,656
2026	25,000	65,688	90,688
2027	25,000	64,688	89,688
2028	25,000	63,656	88,656
2029	25,000	62,578	87,578
2030	25,000	61,469	86,469
2031	25,000	60,328	85,328
2032	25,000	59,156	84,156
2033	175,000	54,406	229,406
2034	180,000	45,750	225,750
2035	190,000	36,500	226,500
2036	200,000	26,750	226,750
2037	210,000	16,500	226,500
2038	225,000	5,625	230,625
Totals	$ 1,455,000	$ 894,907	$ 2,349,907

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Series 2014		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 10,000	$ 93,838	$ 103,838
2023	10,000	93,587	103,587
2024	10,000	93,313	103,313
2025	15,000	92,950	107,950
2026	15,000	92,500	107,500
2027	15,000	92,046	107,046
2028	15,000	91,559	106,559
2029	15,000	91,041	106,041
2030	15,000	90,524	105,524
2031	20,000	89,920	109,920
2032	100,000	87,850	187,850
2033	100,000	84,375	184,375
2034	175,000	79,562	254,562
2035	300,000	71,250	371,250
2036	550,000	55,000	605,000
2037	550,000	33,000	583,000
2038	550,000	11,000	561,000
Totals	$ 2,465,000	$ 1,343,315	$ 3,808,315

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Road Series 2015		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 75,000	$ 109,669	$ 184,669
2023	80,000	108,019	188,019
2024	85,000	106,056	191,056
2025	90,000	103,869	193,869
2026	95,000	101,556	196,556
2027	100,000	98,993	198,993
2028	105,000	96,109	201,109
2029	110,000	92,950	202,950
2030	115,000	89,575	204,575
2031	120,000	85,900	205,900
2032	130,000	81,838	211,838
2033	135,000	77,531	212,531
2034	145,000	72,981	217,981
2035	250,000	66,563	316,563
2036	250,000	58,125	308,125
2037	250,000	49,375	299,375
2038	250,000	40,625	290,625
2039	500,000	27,188	527,188
2040	500,000	9,062	509,062
Totals	$ 3,385,000	$ 1,475,984	$ 4,860,984

Harris County Municipal Utility District No. 390
Schedule of Long-term Debt Service Requirements by Years (Continued)
January 31, 2021

	Road/Revenue Series 2015A		
Due During Fiscal Years Ending January 31	Principal Due December 1	Interest Due June 1, December 1	Total
2022	$ 145,000	$ 233,125	$ 378,125
2023	155,000	228,775	383,775
2024	160,000	224,125	384,125
2025	170,000	219,325	389,325
2026	180,000	213,800	393,800
2027	190,000	207,500	397,500
2028	200,000	199,900	399,900
2029	210,000	191,900	401,900
2030	225,000	183,500	408,500
2031	235,000	174,219	409,219
2032	250,000	164,525	414,525
2033	260,000	154,212	414,212
2034	275,000	142,513	417,513
2035	290,000	130,137	420,137
2036	310,000	117,089	427,089
2037	325,000	103,137	428,137
2038	340,000	88,106	428,106
2039	360,000	72,381	432,381
2040	380,000	55,732	435,732
2041	400,000	38,156	438,156
2042	425,000	19,656	444,656
Totals	$ 5,485,000	$ 3,161,813	$ 8,646,813

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Refunding Series 2016		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 490,000	$ 251,741	$ 741,741
2023	570,000	241,141	811,141
2024	580,000	226,741	806,741
2025	600,000	209,042	809,042
2026	620,000	190,741	810,741
2027	630,000	171,991	801,991
2028	650,000	152,791	802,791
2029	670,000	132,992	802,992
2030	685,000	112,666	797,666
2031	935,000	87,782	1,022,782
2032	825,000	59,766	884,766
2033	710,000	34,468	744,468
2034	645,000	11,288	656,288
Totals	$ 8,610,000	$ 1,883,150	$ 10,493,150

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Series 2017		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 250,000	$ 181,938	$ 431,938
2023	250,000	175,688	425,688
2024	250,000	168,188	418,188
2025	250,000	160,688	410,688
2026	250,000	153,187	403,187
2027	250,000	145,687	395,687
2028	250,000	138,187	388,187
2029	250,000	130,687	380,687
2030	250,000	123,030	373,030
2031	250,000	115,061	365,061
2032	300,000	105,750	405,750
2033	300,000	95,250	395,250
2034	300,000	84,750	384,750
2035	300,000	74,063	374,063
2036	300,000	63,188	363,188
2037	300,000	52,125	352,125
2038	300,000	40,875	340,875
2039	300,000	29,625	329,625
2040	300,000	18,000	318,000
2041	300,000	6,000	306,000
Totals	$ 5,500,000	$ 2,061,967	$ 7,561,967

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Road/Revenue Series 2017A		
Due During Fiscal Years Ending January 31	Principal Due December 1	Interest Due June 1, December 1	Total
2022	$ 140,000	$ 192,625	$ 332,625
2023	145,000	188,425	333,425
2024	150,000	184,075	334,075
2025	160,000	179,575	339,575
2026	165,000	174,775	339,775
2027	175,000	169,825	344,825
2028	185,000	164,575	349,575
2029	195,000	159,025	354,025
2030	205,000	152,931	357,931
2031	215,000	146,013	361,013
2032	225,000	138,488	363,488
2033	235,000	130,613	365,613
2034	245,000	122,094	367,094
2035	260,000	112,905	372,905
2036	275,000	103,155	378,155
2037	285,000	92,844	377,844
2038	300,000	81,800	381,800
2039	315,000	69,800	384,800
2040	330,000	57,200	387,200
2041	350,000	44,000	394,000
2042	365,000	30,000	395,000
2043	385,000	15,400	400,400
Totals	$ 5,305,000	$ 2,710,143	$ 8,015,143

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Series 2018		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ -	$ 107,250	$ 107,250
2023	100,000	104,500	204,500
2024	100,000	99,188	199,188
2025	100,000	94,250	194,250
2026	100,000	90,375	190,375
2027	100,000	87,375	187,375
2028	100,000	84,375	184,375
2029	100,000	81,375	181,375
2030	100,000	78,375	178,375
2031	100,000	75,375	175,375
2032	100,000	72,250	172,250
2033	100,000	69,000	169,000
2034	100,000	65,750	165,750
2035	100,000	62,500	162,500
2036	100,000	59,125	159,125
2037	100,000	55,625	155,625
2038	100,000	52,125	152,125
2039	300,000	45,125	345,125
2040	350,000	33,531	383,531
2041	350,000	20,844	370,844
2042	400,000	7,250	407,250
Totals	$ 3,000,000	$ 1,445,563	$ 4,445,563

Harris County Municipal Utility District No. 390

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

January 31, 2021

	Series 2018A Park		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 100,000	$ 94,375	$ 194,375
2023	100,000	89,500	189,500
2024	100,000	85,625	185,625
2025	100,000	82,625	182,625
2026	100,000	79,625	179,625
2027	100,000	76,625	176,625
2028	100,000	73,625	173,625
2029	100,000	70,625	170,625
2030	100,000	67,625	167,625
2031	100,000	64,625	164,625
2032	100,000	61,500	161,500
2033	100,000	58,250	158,250
2034	100,000	55,000	155,000
2035	100,000	51,750	151,750
2036	100,000	48,375	148,375
2037	100,000	44,875	144,875
2038	100,000	41,375	141,375
2039	200,000	36,125	236,125
2040	300,000	27,188	327,188
2041	300,000	16,312	316,312
2042	300,000	5,437	305,437
Totals	$ 2,800,000	$ 1,231,062	$ 4,031,062

Harris County Municipal Utility District No. 390
Schedule of Long-term Debt Service Requirements by Years (Continued)
January 31, 2021

	Refunding Series 2019		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 105,000	$ 46,625	$ 151,625
2023	35,000	44,525	79,525
2024	40,000	43,400	83,400
2025	40,000	42,200	82,200
2026	45,000	40,925	85,925
2027	40,000	39,650	79,650
2028	40,000	38,450	78,450
2029	45,000	37,400	82,400
2030	55,000	36,400	91,400
2031	100,000	34,350	134,350
2032	125,000	30,975	155,975
2033	130,000	27,150	157,150
2034	145,000	23,025	168,025
2035	695,000	10,425	705,425
Totals	$ 1,640,000	$ 495,500	$ 2,135,500

Harris County Municipal Utility District No. 390
Schedule of Long-term Debt Service Requirements by Years (Continued)
January 31, 2021

	Series 2019A		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 145,000	$ 176,643	$ 321,643
2023	150,000	172,219	322,219
2024	160,000	167,569	327,569
2025	165,000	162,693	327,693
2026	175,000	157,594	332,594
2027	185,000	153,119	338,119
2028	190,000	149,369	339,369
2029	200,000	145,219	345,219
2030	210,000	140,606	350,606
2031	220,000	135,631	355,631
2032	235,000	130,228	365,228
2033	245,000	124,375	369,375
2034	255,000	118,125	373,125
2035	270,000	111,394	381,394
2036	285,000	104,109	389,109
2037	295,000	96,497	391,497
2038	340,000	88,163	428,163
2039	340,000	79,025	419,025
2040	340,000	69,675	409,675
2041	400,000	59,250	459,250
2042	400,000	47,750	447,750
2043	700,000	31,500	731,500
2044	700,000	10,500	710,500
Totals	$ 6,605,000	$ 2,631,253	$ 9,236,253

Harris County Municipal Utility District No. 390
Schedule of Long-term Debt Service Requirements by Years (Continued)
January 31, 2021

	Road Refunding Series 2020		
Due During Fiscal Years Ending January 31	Principal Due April 1	Interest Due April 1, October 1	Total
2022	$ 55,000	$ 30,375	$ 85,375
2023	55,000	28,725	83,725
2024	60,000	27,000	87,000
2025	55,000	25,275	80,275
2026	60,000	23,550	83,550
2027	60,000	22,050	82,050
2028	65,000	20,800	85,800
2029	65,000	19,500	84,500
2030	65,000	18,200	83,200
2031	70,000	16,763	86,763
2032	70,000	15,187	85,187
2033	70,000	13,350	83,350
2034	75,000	11,175	86,175
2035	80,000	8,850	88,850
2036	80,000	6,450	86,450
2037	85,000	3,975	88,975
2038	90,000	1,350	91,350
Totals	$ 1,160,000	$ 292,575	$ 1,452,575

Harris County Municipal Utility District No. 390

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

January 31, 2021

Due During Fiscal Years Ending January 31	Annual Requirements For All Series: Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	$ 1,755,000	$ 1,662,972	$ 3,417,972
2023	1,900,000	1,612,321	3,512,321
2024	1,950,000	1,554,373	3,504,373
2025	2,010,000	1,492,980	3,502,980
2026	2,080,000	1,429,939	3,509,939
2027	2,130,000	1,366,307	3,496,307
2028	2,195,000	1,300,611	3,495,611
2029	2,270,000	1,232,236	3,502,236
2030	2,340,000	1,160,701	3,500,701
2031	2,390,000	1,085,967	3,475,967
2032	2,485,000	1,007,513	3,492,513
2033	2,560,000	922,980	3,482,980
2034	2,640,000	832,013	3,472,013
2035	2,835,000	736,337	3,571,337
2036	2,450,000	641,366	3,091,366
2037	2,500,000	547,953	3,047,953
2038	2,595,000	451,044	3,046,044
2039	2,315,000	359,269	2,674,269
2040	2,500,000	270,388	2,770,388
2041	2,100,000	184,562	2,284,562
2042	1,890,000	110,093	2,000,093
2043	1,085,000	46,900	1,131,900
2044	700,000	10,500	710,500
Totals	$ 49,675,000	$ 20,019,325	$ 69,694,325

Harris County Municipal Utility District No. 390

Changes in Long-term Bonded Debt

Year Ended January 31, 2021

	Road Series 2011	Refunding Series 2013	Series 2013A	Series 2014	Road Series 2015
					Bond
Interest rates	3.50% to 5.00%	2.40% to 4.00%	3.00% to 5.00%	2.00% to 4.00%	2.000% to 3.625%
Dates interest payable	April 1/ October 1	April 1/ October 1	April 1/ October 1	April 1/ October 1	April 1/ October 1
Maturity dates		April 1, 2021/2029	April 1, 2021/2037	April 1, 2021/2037	April 1, 2021/2039
Bonds outstanding, beginning of current year	$ 1,100,000	$ 2,470,000	$ 1,480,000	$ 2,475,000	$ 3,455,000
Bonds sold during current year	-	-	-	-	-
Bonds refunded during current year	1,065,000	-	-	-	-
Retirements, principal	35,000	205,000	25,000	10,000	70,000
Bonds outstanding, end of current year	$ 0	$ 2,265,000	$ 1,455,000	$ 2,465,000	$ 3,385,000
Interest paid during current year	$ 26,750	$ 81,675	$ 69,937	$ 94,063	$ 111,119

Paying agent's name and address:

Series 2011 - Regions Bank, Houston, Texas
Series 2013 - Regions Bank, Houston, Texas
Series 2013A - Regions Bank, Houston, Texas
Series 2014 - Regions Bank, Houston, Texas
Series 2015 - Regions Bank, Houston, Texas
Series 2015A - Regions Bank, Houston, Texas
Series 2016 - Regions Bank, Houston, Texas
Series 2017 - Regions Bank, Houston, Texas
Series 2017A - Regions Bank, Houston, Texas
Series 2018 - Regions Bank, Houston, Texas
Series 2018A - Regions Bank, Houston, Texas
Series 2019 - Regions Bank, Houston, Texas
Series 2019A - Regions Bank, Houston, Texas
Series 2020 - Regions Bank, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds	Contract Revenue Bonds
Amount authorized	$ 69,500,000	$ 8,050,000	$ 77,550,000	$ 11,684,000
Amount issued	$ 39,295,000	$ 8,050,000	$ 969,731	$ 11,680,000
Remaining to be issued	$ 30,205,000	$ -	$ 76,580,269	$ 4,000

Debt service fund cash and temporary investment balances as of January 31, 2021:	$ 5,879,404
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,030,188

Issues

Road/Revenue Series 2015A	Refunding Series 2016	Series 2017	Road/Revenue Series 2017A	Series 2018	Park Series 2018A
3.000% to 4.625%	2.00% to 3.50%	2.00% to 4.00%	2.00% to 4.00%	3.00% to 5.50%	3.00% to 5.00%
June 1/ December 1	April 1/ October 1	April 1/ October 1	June 1/ December 1	April 1/ October 1	April 1/ October 1
December 1, 2021/2041	April 1, 2021/2033	April 1, 2021/2040	December 1, 2021/2042	April 1, 2022/2041	April 1, 2021/2041
$ 5,625,000	$ 9,090,000	$ 5,955,000	$ 5,435,000	$ 3,000,000	$ 2,900,000
-	-	-	-	-	-
-	-	-	-	-	-
140,000	480,000	455,000	130,000	-	100,000
$ 5,485,000	$ 8,610,000	$ 5,500,000	$ 5,305,000	$ 3,000,000	$ 2,800,000
$ 237,325	$ 261,442	$ 188,988	$ 195,225	$ 107,250	$ 99,375

Harris County Municipal Utility District No. 390
Changes in Long-term Bonded Debt (Continued)
Year Ended January 31, 2021

	Bond Issues			
	Refunding Series 2019	Series 2019A	Road Refunding Series 2020	Totals
Interest rates	2.00% to 3.00%	2.00% to 3.00%	2.00% to 3.00%	
Dates interest payable	April 1/ October 1	April 1/ October 1	April 1/ October 1	
Maturity dates	April 1, 2021/2034	April 1, 2021/2043	April 1, 2021/2037	
Bonds outstanding, beginning of current year	$ 1,735,000	$ 6,605,000	$ -	$ 51,325,000
Bonds sold during current year	-	-	1,160,000	1,160,000
Bonds refunded during current year	-	-	-	1,065,000
Retirements, principal	95,000	-	-	1,745,000
Bonds outstanding, end of current year	$ 1,640,000	$ 6,605,000	$ 1,160,000	$ 49,675,000
Interest paid during current year	$ 49,625	$ 163,917	$ 13,000	$ 1,699,691

Harris County Municipal Utility District No. 390
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended January 31,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	$ 638,634	$ 468,765	$ 477,005	$ 205,232	$ 188,582
City of Houston rebate	561,405	640,818	-	-	-
Investment income	4,076	7,720	-	-	-
Other income	596	12,974	689	271	530
Total revenues	1,204,711	1,130,277	477,694	205,503	189,112
Expenditures					
Service operations:					
Professional fees	283,686	304,236	161,371	118,279	183,434
Contracted services	97,613	25,250	26,908	23,531	21,898
Repairs and maintenance	150,174	75,636	76,888	65,434	32,601
Other expenditures	32,670	27,540	49,451	27,395	33,557
Capital outlay	599,305	623,749	-	-	-
Total expenditures	1,163,448	1,056,411	314,618	234,639	271,490
Excess (Deficiency) of Revenues Over Expenditures	41,263	73,866	163,076	(29,136)	(82,378)
Other Financing Sources (Uses)					
Interfund transfers in (out)	43,213	-	(13,325)	-	-
Developer advances received	-	-	24,075	112,641	-
Total other financing sources	43,213	0	10,750	112,641	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	84,476	73,866	173,826	83,505	(82,378)
Fund Balance (Deficit), Beginning of Year	226,632	152,766	(21,060)	(104,565)	(22,187)
Fund Balance (Deficit), End of Year	$ 311,108	$ 226,632	$ 152,766	$ (21,060)	$ (104,565)
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
53.0 %	41.4 %	99.9 %	99.9 %	99.7 %
46.6	56.7	-	-	-
0.3	0.7	-	-	-
0.1	1.2	0.1	0.1	0.3
100.0	100.0	100.0	100.0	100.0
23.6	26.9	33.8	57.6	97.0
8.1	2.2	5.6	11.5	11.6
12.5	6.7	16.1	31.8	17.2
2.7	2.4	10.4	13.3	17.7
49.7	55.2	-	-	-
96.6	93.4	65.9	114.2	143.5
3.4 %	6.6 %	34.1 %	(14.2) %	(43.5) %

Harris County Municipal Utility District No. 390

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended January 31,

	Amounts				
	2021	2020	2019	2018	2017
Debt Service Fund					
Revenues					
Property taxes	$ 2,342,392	$ 2,056,995	$ 1,752,691	$ 1,847,080	$ 1,697,242
City of Houston rebates	964,806	966,648	1,061,931	732,840	781,430
Penalty and interest	12,565	10,992	9,289	9,511	11,355
Investment income	48,626	85,503	37,972	18,395	12,428
Other income	1,731	5,734	1,020	170	515
Total revenues	3,370,120	3,125,872	2,862,903	2,607,996	2,502,970
Expenditures					
Current:					
Professional fees	3,778	4,548	3,311	2,808	3,566
Contracted services	51,591	48,212	44,459	41,113	38,295
Other expenditures	21,009	22,795	22,288	17,368	17,207
Debt service:					
Principal retirement	1,745,000	1,765,000	1,620,000	970,000	815,000
Interest and fees	1,696,028	1,656,234	1,446,022	1,191,434	973,016
Debt issuance costs	95,842	101,386	-	1,200	347,691
Debt defeasance	-	-	-	-	220,000
Total expenditures	3,613,248	3,598,175	3,136,080	2,223,923	2,414,775
Excess (Deficiency) of Revenues Over Expenditures	(243,128)	(472,303)	(273,177)	384,073	88,195
Other Financing Sources (Uses)					
General obligation bonds issued	1,160,000	1,735,000	-	200,200	10,075,000
Deposit with escrow agent	(1,072,236)	(1,674,543)	-	-	(9,752,897)
Premium on debt issued	11,871	46,964	-	-	46,444
Total other financing sources	99,635	107,421	0	200,200	368,547
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(143,493)	(364,882)	(273,177)	584,273	456,742
Fund Balance, Beginning of Year	3,542,111	3,906,993	4,180,170	3,595,897	3,139,155
Fund Balance, End of Year	$ 3,398,618	$ 3,542,111	$ 3,906,993	$ 4,180,170	$ 3,595,897

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
69.5 %	65.8 %	61.2 %	70.8 %	67.8 %
28.6	30.9	37.1	28.1	31.2
0.4	0.4	0.3	0.4	0.5
1.4	2.7	1.4	0.7	0.5
0.1	0.2	0.0	0.0	0.0
100.0	100.0	100.0	100.0	100.0
0.1	0.2	0.1	0.1	0.1
1.5	1.5	1.5	1.6	1.5
0.6	0.7	0.8	0.6	0.7
51.8	56.5	56.6	37.2	32.6
50.3	53.0	50.5	45.7	38.9
2.9	3.2	-	0.1	13.9
-	-	-	-	8.8
107.2	115.1	109.5	85.3	96.5
(7.2) %	(15.1) %	(9.5) %	14.7 %	3.5 %

Harris County Municipal Utility District No. 390

Board Members, Key Personnel and Consultants

Year Ended January 31, 2021

Complete District mailing address:	Harris County Municipal Utility District No. 390 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):		August 21, 2019
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
Mark Witcher	Elected 05/18-05/22	$ 1,500	$ 0	President
Thomas El-Gawly	Elected 05/18-05/22	1,800	110	Vice President
Shelly Antley	Appointed 07/19-05/22	1,650	0	Secretary
Jessica Kemp	Elected 05/20-05/24	1,500	0	Assistant Secretary
Deidre Rasheed	Elected 05/20-05/24	1,350	0	Assistant Secretary
Matthew Austin Muse	Appointed 08/19-05/20	450	0	Term Expired
Karen Sears	Elected 05/16-05/20	450	0	Term Expired

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

Harris County Municipal Utility District No. 390
Board Members, Key Personnel and Consultants (Continued)
Year Ended January 31, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	01/20/04	$ 48,600	Auditor
Harris County Appraisal District	Legislative Action	22,324	Appraiser
Masterson Advisors LLC	05/16/18	13,526	Financial Advisor
Municipal Accounts & Consulting, L.P.	02/28/03	30,483	Bookkeeper
Pape-Dawson Engineers, Inc.	06/20/18	316,502	Engineer
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/07	3,778	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/28/03	142,528 33,142	General Counsel Bond Counsel
Wheeler & Associates, Inc.	06/17/03	46,677	Tax Assessor/ Collector

Investment Officers			
Mark M. Burton and Ghia Lewis	05/07/03	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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