

OFFICIAL STATEMENT DATED JULY 13, 2023

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

The Bonds are NOT designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: S&P Global Ratings (AGM Insured)....."AA"
Moody's Investors Service, Inc. (AGM Insured)....."A1"
Moody's Investors Service, Inc. (Underlying)....."A3"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

\$10,985,000
Unlimited Tax Utility Bonds
Series 2023

\$35,240,000
Unlimited Tax Road Bonds
Series 2023

Dated: August 1, 2023

Due: May 1, as shown on inside cover page

Interest Accrues: Utility Bonds Delivery Date or Road Bonds Delivery Date, as applicable

The \$10,985,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and \$35,240,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds"), are obligations of Highway 380 Municipal Management District No. 1 (the "District") and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Little Elm, Texas (the "Town"); or any entity other than the District. The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds." Neither the full faith and credit nor the taxing power of the State of Texas; the County; the Town; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated August 1, 2023. Interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (on or about August 30, 2023) (the "Utility Bonds Delivery Date"). Interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (on or about August 17, 2023) (the "Road Bonds Delivery Date"). Interest on the Bonds is payable on May 1, 2024, and each November 1 and May 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies") to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP. ("AGM")**.



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

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Utility Bonds through the facilities of DTC is expected on or about August 30, 2023. Delivery of the Road Bonds through the facilities of DTC is expected on or about August 17, 2023.

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

\$10,985,000 Unlimited Tax Utility Bonds, Series 2023

\$9,555,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)	Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)
2025	\$ 260,000	5.500%	3.450%	PC6	2036 (c)	\$ 425,000	5.000%	3.500%	PP7
2026	270,000	5.500%	3.350%	PD4	2037 (c)	445,000	4.000%	4.000%	PQ5
2027	285,000	5.500%	3.250%	PE2	2038 (c)	465,000	4.000%	4.050%	PR3
2028	300,000	5.500%	3.250%	PF9	2039 (c)	490,000	4.000%	4.100%	PS1
2029	310,000	5.500%	3.250%	PG7	2040 (c)	510,000	4.000%	4.150%	PT9
2030 (c)	325,000	5.500%	3.250%	PH5	2041 (c)	535,000	4.125%	4.200%	PU6
2031 (c)	340,000	5.500%	3.250%	PJ1	2042 (c)	560,000	4.125%	4.250%	PV4
2032 (c)	355,000	5.500%	3.300%	PK8	2043 (c)	585,000	4.125%	4.300%	PW2
2033 (c)	375,000	5.500%	3.350%	PL6	2044 (c)	610,000	4.250%	4.350%	PX0
2034 (c)	390,000	5.500%	3.400%	PM4	2045 (c)	640,000	4.250%	4.380%	PY8
2035 (c)	410,000	5.000%	3.450%	PN2	2046 (c)	670,000	4.250%	4.400%	PZ5

\$1,430,000 Term Bonds

\$1,430,000 Term Bonds Due May 1, 2048 (c)(d), Interest Rate: 3.000% (Price: \$75.083) (a), CUSIP No. 43124A QB7 (b)

\$35,240,000 Unlimited Tax Road Bonds, Series 2023

\$24,490,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)	Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 43124A (b)
2025	\$ 835,000	6.500%	3.450%	QC5	2035 (c)	\$ 1,310,000	4.000%	3.800%	QN1
2026	870,000	6.500%	3.350%	QD3	2036 (c)	1,370,000	4.000%	3.900%	QP6
2027	910,000	6.500%	3.250%	QE1	2037 (c)	1,430,000	4.000%	4.000%	QQ4
2028	955,000	6.500%	3.250%	QF8	2038 (c)	1,495,000	4.000%	4.050%	QR2
2029	1,000,000	6.500%	3.250%	QG6	2039 (c)	1,565,000	4.000%	4.100%	QS0
2030 (c)	1,045,000	5.000%	3.250%	QH4	2040 (c)	1,640,000	4.000%	4.150%	QT8
2031 (c)	1,095,000	4.000%	3.400%	QJ0	2041 (c)	1,715,000	4.000%	4.200%	QU5
2032 (c)	1,145,000	4.000%	3.500%	QK7	2042 (c)	1,790,000	4.000%	4.250%	QV3
2033 (c)	1,195,000	4.000%	3.600%	QL5	2043 (c)	1,875,000	4.000%	4.300%	QW1
2034 (c)	1,250,000	4.000%	3.700%	QM3					

\$10,750,000 Term Bonds

\$4,010,000 Term Bonds Due May 1, 2045 (c)(d), Interest Rate: 4.000% (Price: \$93.772) (a), CUSIP No. 43124A QY7 (b)

\$6,740,000 Term Bonds Due May 1, 2048 (c)(d), Interest Rate: 4.000% (Price: \$92.584) (a), CUSIP No. 43124A RB6 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (as herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on May 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on August 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on May 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs for duplication thereof.

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.”

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Utility Bonds Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" at a price of 97.994056% of the par value thereof, which resulted in a net effective interest rate of 4.258882%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser") to purchase the Road Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" at a price of 98.110275% of the par value thereof, which resulted in a net effective interest rate of 4.216660%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

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

Prices and Marketability

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

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

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

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

Securities Laws

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

Delivery of Official Statements

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

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 non-U.S. 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 "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 13, 2023, 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 October 21, 2022, 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 March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "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, 2022.

Capitalization of AGM

At March 31, 2023:

- The policyholders' surplus of AGM was approximately \$2,742 million.
- The contingency reserve of AGM was approximately \$874 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net 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, 2022 (filed by AGL with the SEC on March 1, 2023); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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.

RATINGS

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

The Bonds have received an insured rating of "A1" (stable outlook) from Moody's solely in reliance upon the issuance and delivery of the Policies by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying rating of "A3" with stable outlook to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer Highway 380 Municipal Management District No. 1 (the “District”), a conservation and reclamation district and a body politic and a political subdivision of the State of Texas, created under the authority of Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the Texas Constitution and operating under and governed by the provisions of Chapter 3920, Special District Local Laws Code (the “District Act”) and Chapter 375, Local Government Code, and Chapter 49, Texas Water Code, as amended. See “THE DISTRICT.”

The Issue The District’s \$10,985,000 Unlimited Tax Utility Bonds, Series 2023 (the “Utility Bonds”) and \$35,240,000 Unlimited Tax Road Bonds, Series 2023 (the “Road Bonds”), are dated August 1, 2023, and mature on May 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Utility Bonds and the Road Bonds are referred to herein collectively as the “Bonds.” Interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (on or about August 30, 2023) (the “Utility Bonds Delivery Date”) and interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (on or about August 17, 2023) (the “Road Bonds Delivery Date”), at the rates shown on the inside cover hereof and is payable on May 1, 2024, and on each November 1 and May 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”

Redemption..... Optional Redemption: The Bonds maturing on and after May 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or in part, on August 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

Mandatory Redemption: The Utility Bonds maturing on May 1 in the year 2048 are term bonds (the “Utility Term Bonds”) and are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*” The Road Bonds maturing on May 1 in the years 2045 and 2048 are term bonds (the “Road Term Bonds”) and are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*” The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the “Term Bonds.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of two annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County,

Texas (the “County”); the Town of Little Elm; Texas (the “Town”); or any entity other than the District. See “THE BONDS – Source of Payment.”

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

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

The Utility Bonds are the seventh series of unlimited tax bonds to be issued by the District out of an aggregate \$69,825,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing a water, sewer and drainage system to serve the District (the “Utility System”). Following the issuance of the Utility Bonds, \$14,450,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System will remain authorized but unissued. See “THE BONDS – Authority for Issuance.”

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

The Road Bonds are the eighth series of unlimited tax bonds to be issued by the District out of an aggregate \$118,450,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing roads and improvements in aid thereof serving the District (the “Road System”). After issuance of the Road Bonds, \$39,230,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued. See “THE BONDS – Authority for Issuance.”

Outstanding Bonds	The District has previously issued thirteen (13) series of unlimited tax bonds: six (6) series for the purpose of acquiring or constructing the Utility System and seven (7) series for the purpose of acquiring or constructing the Road System. Of such previously issued bonds, an aggregate of \$83,140,000 principal amount will remain outstanding as of August 1, 2023 (the "Outstanding Bonds").
Payment Record.....	The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.
Use of Proceeds of Utility Bonds.....	Proceeds from sale of the Utility Bonds will be used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under "THE BONDS – Use and Distribution of Proceeds of Utility Bonds." Proceeds of the Utility Bonds will also be used to pay six (6) months of capitalized interest on the Utility Bonds, developer interest, and general costs of issuance associated with the Utility Bonds. See "THE BONDS – Use and Distribution of Proceeds of Utility Bonds" for further information.
Use of Proceeds of Road Bonds.....	Proceeds from sale of the Road Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out herein under "THE BONDS – Use and Distribution of Proceeds of Road Bonds." Proceeds of the Road Bonds will also be used to pay six (6) months of capitalized interest on the Road Bonds, developer interest, and general costs of issuance associated with the Road Bonds. See "THE BONDS – Use and Distribution of Proceeds of Road Bonds" for further information.
Not Qualified Tax-Exempt Obligations	The Bonds are not designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE" above.
Ratings	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. ("Moody's") (AGM Insured): "A1." Moody's (Underlying): "A3." See "MUNICIPAL BOND INSURANCE" and "RATINGS" above.
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Paying Agent/Registrar.....	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

THE DISTRICT

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

The District was created pursuant to the District Act; Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the

Texas Constitution; Chapter 375, Local Government Code; and Chapter 49, Texas Water Code, as amended. See “THE DISTRICT – General.”

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

The Developer.....H4 Little Elm, L.P., a Texas limited partnership (“H4 Little Elm”) was formed for the purpose of acquiring and holding for investment and sale tracts of land, including approximately 757 acres of land in the District by and through its affiliate entities such as Union Park Phase 1, LP, Union Park Phase 2, LP, Union Park Phase 2BCD, LP, Union Park Phase 3A, LP, Union Park Phase 4 LP, Union Park Phase 5 LP, Union Park Phase 6A, LP and Union Park Phase 6B, LP. The partners of H4 Little Elm include: BOH Investments GP, LLC, a Delaware limited liability company (“GP”), and BOH Subpartnership, L.P., a Texas limited partnership (“LP”). GP is the general partner of H4 Little Elm. UPH4 McCutchin, L.P., a Texas limited partnership (“UPH4”) and affiliate of H4 Little Elm, was also formed for the purpose of acquiring and holding certain lands within the District for investment and sale by and through its affiliate entities. UPH4 has acquired approximately 328 acres of land within the District for such purposes. The partners of UPH4 include GP and UP Project, LLC. GP is the general partner of UPH4. H4 Little Elm and UPH4 have determined the overall development plan for such land in the District and arranged for financing the construction of water, sewer, drainage, and road facilities within the District either directly or through affiliate entities.

Throughout this Official Statement, H4 Little Elm and UPH4 and their affiliate entities are referred to collectively as the “Developer.”

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

Within the District, the Developer and its affiliate entities described herein currently own approximately 60.4 acres that are under construction for the development of single-family residential sections and approximately 38 vacant developed lots within the District.

In December 2016, the Developer sold approximately 114 acres of developable land within the District to Pulte Homes of Texas, L.P. (“Pulte”). In September 2018, Pulte purchased an additional approximately 64 acres within the District. Pulte has completed development of such acreage as 288 single-family lots as Del Webb at Union Park, Phase 1 and 321 single-family lots as Del Webb at

Union Park, Phase 2. Pulte is a subsidiary of PulteGroup, Inc., which is a publicly traded company on the New York Stock Exchange and a national homebuilder. Pulte Homes of Texas, L.P. is actively developing lots and building homes in Dallas, Fort Worth, San Antonio, Austin and Houston. For more information, visit www.pultegroupinc.com. See "STATUS OF DEVELOPMENT" and "TAX DATA – Principal Taxpayers."

On August 18, 2021, the Developer sold approximately 157 acres of developable land within the District to Tri Pointe Homes DFW, LLC ("Tri Pointe"), of which Tri Pointe has developed approximately 56 acres (243 single-family lots) as Union Park, Phase 7. Tri Pointe plans to develop the remaining approximately 101 acres as the future residential subdivision of Union Park, Phases 8 and 9. Tri Pointe is a publicly held company, trading under "TPH" on the New York Stock Exchange and a national homebuilder, visit www.tripointehomes.com.

Union Park..... The master-planned community of Union Park is located entirely within the District. Approximately 3,341 single-family homes are ultimately planned to be constructed within Union Park along with walking trails, a 35-acre central park, a food truck park, a community center with resort-style pool, open air pavilion, an elementary school, and other amenities. See "UNION PARK."

Status of Development..... The District encompasses approximately 1,085 total acres of land. To date, approximately 884.61 acres have been developed as 3,139 single-family lots within the following single-family residential subdivisions in the District: Union Park, Phases 1, 2, 3A, 4A, 4B, 5A, 5B, 6A, 6B-1, 6B-2, 6B-3, 6C, 7, 9 and Del Webb at Union Park, Phases 1 and 2.

As of May 1, 2022, the District included approximately 2,293 completed homes (2,015 occupied homes, 267 unoccupied homes, and 11 model homes), approximately 245 homes under construction, and approximately 601 vacant developed lots available for home construction. In addition, approximately 60.4 acres (190 lots) are currently under development as Union Park, Phase 8. According to the Engineer, Union Park, Phase 8 is anticipated to be complete by June 2024.

The remaining land in the District includes approximately 16 acres for Union Park Boulevard; approximately 12 acres on which an elementary school will be constructed; and approximately 68.74 acres that are planned for development as multi-use and commercial properties. See "UNION PARK" and "STATUS OF DEVELOPMENT."

Homebuilders Builders currently building homes within the District include American Legend Homes, Drees Custom Homes, Highland Homes, Tri Pointe Homes, Bloomfield Homes, Beazer Homes, DR Horton Homes, Pulte Homes, and MHI Builders doing business as Coventry Homes. The homes being marketed in the District range in size from 1,306 to 3,687 square feet and in price from approximately \$333,990 to \$794,990. See "HOMEBUILDERS WITHIN THE DISTRICT."

INVESTMENT CONSIDERATIONS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Taxable Assessed Valuation.....	\$ 755,087,436	(a)
2023 Certified Estimate of Assessed Valuation.....	\$1,215,585,846	(b)
Estimate of Value as of May 1, 2023	\$1,294,844,000	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 83,140,000	
The Utility Bonds	\$ 10,985,000	
The Road Bonds	<u>\$ 35,240,000</u>	
Total.....	\$ 129,365,000	
Estimated Overlapping Debt.....	<u>\$ 53,112,490</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 182,477,490	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	17.13	%
As a percentage of the 2023 Certified Estimate of Assessed Valuation	10.64	%
As a percentage of the Estimate of Value as of May 1, 2023.....	9.99	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	24.17	%
As a percentage of the 2023 Certified Estimate of Assessed Valuation	15.01	%
As a percentage of the Estimate of Value as of May 1, 2023.....	14.09	%
Utility System Debt Service Fund Balance (as of June 8, 2023).....	\$ 1,700,710	(e)
Road System Debt Service Fund Balance (as of June 8, 2023).....	\$ 1,471,616	(f)
General Operating Fund Balance (as of June 8, 2023).....	\$ 1,118,701	

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- (a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2022, provided by DCAD (hereinafter defined). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by DCAD as the certified estimate of assessed value as of January 1, 2023. Includes \$411,972,874 of value under review by the Appraisal Review Board (hereinafter defined) as of May 20, 2023. No taxes will be levied on such certified estimate of value, which is subject to protest by landowners. See "TAXING PROCEDURES."
- (c) Provided by DCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through May 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
- (e) Upon closing of the Utility Bonds, six (6) months of capitalized interest on the Utility Bonds will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Road Bonds.
- (f) Upon closing of the Road Bonds, six (6) months of capitalized interest on the Road Bonds will be deposited into this fund. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Tax Rates		
Debt Service	\$0.373	(a)
Maintenance & Operation	<u>\$0.145</u>	
Total.....	\$0.518	(b)
Average Annual Debt Service Requirement (2023–2048)	\$7,362,679	(c)
Maximum Annual Debt Service Requirement (2042).....	\$8,342,334	(c)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	\$1.03	(d)
Based on the 2023 Certified Estimate of Assessed Valuation.....	\$0.64	(d)
Based on the Estimate of Value as of May 1, 2023.....	\$0.60	(d)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	\$1.17	(d)
Based on the 2023 Certified Estimate of Assessed Valuation.....	\$0.73	(d)
Based on the Estimate of Value as of May 1, 2023.....	\$0.68	(d)
Number of Single-Family Homes.....	2,538	(e)

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- (a) Represents the combined debt service tax rate resulting from the following two taxes levied by the District: a tax in the amount of \$0.188 for payment of debt service on the Outstanding Bonds issued for the Utility System and a tax of \$0.185 for payment of debt service on the Outstanding Bonds issued for the Road System. The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS – Future Debt."
- (b) See "TAX DATA."
- (c) Requirement of combined debt service on the Outstanding Bonds and debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."
- (d) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the Rebate for payment of a portion of the debt service on the Outstanding Bonds and the Bonds. Based on the Town's 2022 tax rate of \$0.629900 per \$100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately \$0.289754 per \$100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds. While the District intends to use the Rebate to pay a portion of the debt service on the Outstanding Bonds and the Bonds, the Rebate is not pledged to the payment of debt service on the Outstanding Bonds and the Bonds. See "THE BONDS – Public Improvements Agreement."
- (e) Approximate number of homes, including 2,293 completed homes and 245 homes under construction within the District as of May 1, 2023.

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HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

\$10,985,000
Unlimited Tax Utility Bonds
Series 2022

\$35,240,000
Unlimited Tax Road Bonds
Series 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Highway 380 Municipal Management District No. 1 (the "District") of its \$10,985,000 Unlimited Tax Utility Bonds, Series 2022 (the "Utility Bonds") and \$35,240,000 Unlimited Tax Road Bonds, Series 2022 (the "Road Bonds"). The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds."

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

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

The Utility Bond Order and the Road Bond Order are collectively referred to hereinafter as the "Bond Orders," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Orders. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

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

Description

The Bonds are dated August 1, 2023, with interest payable on May 1, 2024, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on May 1 of the years and in the amounts shown on the inside cover page of the Official Statement and interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (on or about August 30, 2023) (the "Utility Bonds Delivery Date") and interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (on or about August 17, 2023) (the "Road Bonds Delivery Date"), and thereafter from the most recent Interest Payment Date to which interest has been paid.

The Bonds are issued in fully registered form in principal denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "THE BONDS – Book-Entry-Only System." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Source of Payment

The Bonds are secured by and payable from the proceeds of two annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas (the "County"); the Town of Little Elm (the "Town"); or any political subdivision or entity other than the District.

Public Improvements Agreement

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

Based on the Town's 2022 tax rate of \$0.629900 with a 46% rebate, the District expects to receive a rebate of approximately \$0.289754 per \$100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds but is **not** pledged to the payment of debt service on the Outstanding Bonds and the Bonds. If such revenues are ever insufficient to make debt service payments, the District is obligated to levy debt service taxes in an amount sufficient to make such payments. No representation can be made as to the Town's future tax rates and the impact they would have on the anticipated Rebate. See "INVESTMENT CONSIDERATIONS."

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

Dissolution

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

Authority for Issuance

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

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

At elections held within the District on May 9, 2015, and May 7, 2016, voters of the District authorized a total of \$69,825,000 in principal amount for unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities (the "Utility System") and a total of \$118,450,000 in principal amount for unlimited tax bonds for the purpose of acquiring or constructing road facilities serving the District (the "Road

System”). Following the issuance of the Bonds, a total of \$14,450,000 in principal amount of unlimited tax bonds for the Utility System and a total of \$39,230,000 in principal amount of unlimited tax bonds for the Road System will remain authorized but unissued.

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

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
May 9, 2015	Utility System	\$62,000,000	\$55,375,000 (a)	\$6,625,000
May 7, 2016	Utility System	7,825,000	-	7,825,000
May 9, 2015	Utility System Refunding	93,000,000	-	93,000,000
May 7, 2016	Utility System Refunding	11,767,500	-	11,767,500
May 9, 2015	Road System	99,000,000	79,220,000 (b)	19,780,000
May 7, 2016	Road System	19,450,000	-	19,450,000
May 9, 2015	Road System Refunding	148,500,000	-	148,500,000
May 7, 2016	Road System Refunding	29,175,000	-	29,175,000

(a) Includes the Utility Bonds.

(b) Includes the Road Bonds.

Outstanding Bonds

The District has previously issued thirteen (13) series of unlimited tax bonds: six (6) series for the purpose of acquiring or constructing the Utility System and seven (7) series for the purpose of acquiring or constructing the Road System. Of such previously issued bonds, an aggregate of \$83,140,000 principal amount will remain outstanding as of August 1, 2023 (the “Outstanding Bonds”).

Utility System Funds

The Utility Bond Order confirms the creation of the Utility Capital Projects Fund (the “Utility Capital Projects Fund”) and the Utility System Debt Service Fund (the “Utility System Debt Service Fund”). Six (6) months of capitalized interest on the Utility Bonds will be deposited into the Utility System Debt Service Fund upon closing of the Utility Bonds. All remaining proceeds of the Utility Bonds will be deposited in the Utility Capital Projects Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of the Outstanding Bonds issued for the Utility System and the Utility Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and the Utility Bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Utility System and the Utility Bonds.

Road System Funds

The Road Bond Order confirms the creation of the Road Capital Projects Fund (the “Road Capital Projects Fund”) and the Road System Debt Service Fund (the “Road System Debt Service Fund”). Six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. All remaining proceeds of the Road Bonds will be deposited in the Road Capital Projects Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of the Outstanding Bonds issued for the Road System and the Road Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Road System and the Road Bonds. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Road System and the Road Bonds.

Record Date

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

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on August 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "THE BONDS – Book-Entry-Only System." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Orders.

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

Mandatory Redemption

The Utility Bonds maturing on May 1 in the years 2048 are term bonds (the "Utility Term Bonds"). The Road Bonds maturing on May 1 in the years 2045 and 2048 are term Bonds (the "Road Term Bonds"). The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the "Term Bonds." The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

Utility Term Bonds

\$1,430,000 Utility Term Bonds Maturing on May 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
May 1, 2047	\$ 700,000
May 1, 2048 (Maturity)	\$ 730,000

Road Term Bonds

\$4,010,000 Road Term Bonds Maturing on May 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
May 1, 2044	\$ 1,960,000
May 1, 2045 (Maturity)	\$ 2,050,000

\$6,740,000 Road Term Bonds Maturing on May 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
May 1, 2046	\$ 2,145,000
May 1, 2047	\$ 2,245,000
May 1, 2048 (Maturity)	\$ 2,350,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least fifty (50) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund at a price not exceeding the

principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirements.

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the District's issuance of a total of \$69,825,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Utility System, a total of \$118,450,000 principal amount of unlimited tax bonds for the purpose constructing or acquiring the Road System, and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$14,450,000 of unlimited tax bonds authorized but unissued for the Utility System and \$39,230,000 of unlimited tax bonds authorized but unissued for the Road System. The District's voters have also authorized a total of \$282,412,500 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts.

The Bond Orders impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

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

Remedies in the Event of Default

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

Defeasance

The Bond Orders provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place or payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or

instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Orders.

Book-Entry-Only System

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the

transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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Use and Distribution of Proceeds of Utility Bonds

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

Construction Costs	District's Share
1. Constructions Costs (a)	\$ 7,006,271
2. Engineering Costs (b)	719,734
3. Construction Materials Testing and Geotechnical Costs (c)	167,606
4. Stormwater Pollution Prevention Costs (d)	85,558
5. Inspection Costs (e)	3,750
6. Miscellaneous Expenses (f)	176,235
7. Land Cost (g)	912,276
Total Construction Costs	\$ 9,071,430
Non-Construction Costs	
1. Legal Fees	\$ 259,700
2. Fiscal Agent Fees	219,700
3. Interest	
a. Capitalized Interest	244,250
b. Developer Interest	682,728
4. Bond Discount	220,353
5. Bond Application Report Costs	70,000
6. Bond Issuance Expenses	54,035
7. Attorney General Fee	9,500
8. TCEQ Bond Issuance Fee	27,463
9. Contingency (h)	125,841
Total Non-Construction Costs	\$ 1,913,570
TOTAL BOND ISSUE REQUIREMENT	\$ 10,985,000

(a) Represents costs for Gazebo Street, Union Park Phases 6A, 6B-1, 6B-2, 6B-3, 6C, 7, 9 and Union Place II.

(b) Represents costs for Union Park Phases 5A, 6A, 6B, 6C, 7, 9, Union Place Phase II, Union Park Commercial, Union Park Spine Road and Union Park Boulevard.

(c) Represents costs for Union Park Phases 4, 5, 6A, 6B-1, 6B-2, 6B-3, 6C, 7 and Union Park Boulevard.

(d) Represents costs for Union Park Phases 1, 5, 6A and 6B.

(e) Represents costs for Union Park Phases 5 and 6A.

(f) Represents costs for Union Park Phases 5, 6A, 6B-1, 6B-2, 6B-3, 6C and 7.

(g) Represents costs for Union Park Phases 6C, 7 and 9 and interest.

(h) Represents the sum of the difference between the actual and allotted Capitalized Interest and Bond Discount.

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

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

Use and Distribution of Proceeds of Road Bonds

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

Construction Costs	District's Share
1. Constructions Costs (a)	\$ 19,705,412
2. Engineering Costs (b)	3,184,649
3. Land Costs (c)	1,056,858
4. Construction Materials Testing and Geotechnical Costs (d)	576,122
5. Stormwater Pollution Prevention Costs (e)	354,292
6. Inspection Costs (f)	87,988
7. Miscellaneous Expenses (g)	3,049,200
Total Construction Costs	\$ 28,014,521
Non-Construction Costs	
1. Legal Fees	\$ 744,800
2. Fiscal Agent Fees	539,900
3. Interest	
a. Capitalized Interest	767,150
b. Developer Interest	4,300,815
4. Bond Discount	665,939
5. Bond Engineering Fee	70,240
6. Bond Issuance Expenses	18,474
7. Attorney General Fee	9,500
8. Contingency (h)	108,661
Total Non-Construction Costs	\$ 7,225,479
TOTAL BOND ISSUE REQUIREMENT	\$ 35,240,000

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- (a) Represents costs for Gazebo Street, Union Park Phases 2, 3,4,4B, 5, 5B, 6A, 6B, Union Park Boulevard, Gazebo Street and Del Webb Phase 2.
 - (b) Represents costs for Union Park Phases 2A, 2B, 2C, 3, 4, 4B, 5, 6A, 6B, Union Park Boulevard, Gazebo Street and Del Webb Phase 2.
 - (c) Represents costs for Union Park Phases 6C, 7 and 9 and interest.
 - (d) Represents costs for Union Park Phases 1, 2A, 2B, 3, 4, 5, 6A, Union Park Boulevard, Gazebo Street and Del Webb Phase 2.
 - (e) Represents costs for Union Park Phases 1, 2A, 2B, 3, 4, 5, 6A, Gazebo Street and Del Webb Phase 1.
 - (f) Represents costs for Union Park Phases 1, 2A, 2B, 3, 4, 5, 6A, Gazebo Street and Del Webb Phases 1 & 2.
 - (g) Represents costs for Union Park Phases 1, 2A, 2B, 2C, 3, 4, 5, 6A and Del Webb Phase 1.
 - (h) Represents the sum of the difference between the actual and allotted Capitalized Interest and Bond Discount.

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

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

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THE DISTRICT

General

The District is a special district created pursuant to Chapter 831 (S.B. 1878), Section 1, Acts of the 83rd Legislature, Regular Session, 2013, codified as Chapter 3920, Texas Special District Local Laws Code, as amended (the "District Act") under the authority of Article III, Section 52, Article III, Section 52-a, and Article XVI, Section 59 of the Texas Constitution and operating under and governed by the provisions of the District Act and Chapter 375, Local Government Code, and Chapter 49, Texas Water Code, as amended. The District, which lies wholly within the corporate limits of the Town, is subject to the continuing supervisory jurisdiction of the TCEQ with respect to water, sewer, and drainage facilities.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain certain road improvements, recreational facilities, and fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Town and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See "THE BONDS – Issuance of Additional Debt."

Location of the District

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

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

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires</u> <u>June</u>
Philip Morgan	President	2027
Angelica Huckelberry	Vice President	2027
Douglas J. Peach	Secretary	2027
Danielle Androes	Assistant Secretary	2025
Teague Griffin	Assistant Secretary	2025

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

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

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

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. A copy of the District's financial statements audited by Mark C. Eyring, CPA, PLLC (the "Auditor") for the fiscal year ended

April 30, 2022, is attached as “APPENDIX A” to this Official Statement. The District has engaged the Auditor to audit its financial statements for the fiscal year ended April 30, 2023.

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

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

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

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

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General Fund Operating Statement

The following statement sets forth in condensed form the historical results of the District's general fund. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal year ended April 30, 2022. In addition, an unaudited summary has been prepared by the District's bookkeeper for the fiscal year ended April 30, 2023. Reference is made to such statements for further and more complete information. See "APPENDIX A."

Revenues	Fiscal Year Ended April 30					
	2023 (a)	2022	2021	2020	2019	2018
Property Taxes	\$ 1,068,744	\$ 782,892	\$ 468,887	\$ 432,068	\$ 397,118	\$ 175,214
Rebate Payments from the Town (b)	2,065,393	-	-	-	-	1,071
Capital Recovery Fees	696,500	998,000	531,500	519,500	355,750	115,000
Interest on Deposits	16,875	160	322	2,121	1,483	659
Total	\$ 3,847,512	\$ 1,781,052	\$ 1,000,709	\$ 953,689	\$ 754,351	\$ 291,944
Expenditures						
Professional Fees	\$ 98,587	\$ 74,443	\$ 61,660	\$ 61,354	\$ 56,672	\$ 44,688
Contracted Fees	50,436	49,339	51,292	35,386	32,174	29,487
Utilities	77,528	50,816	42,619	42,325	29,365	12,698
Repairs and Maintenance	1,298,367	1,067,815	799,297	603,820	414,345	296,320
Administrative Expenditures	26,960	19,890	19,439	17,067	18,398	14,922
Capital Outlay	7,609	322,167	-	-	-	-
Total	\$ 1,559,488	\$ 1,584,470	\$ 974,307	\$ 759,952	\$ 550,954	\$ 398,115
Net Revenues (Deficit)	\$ 2,288,024	\$ 196,582	\$ 26,402	\$ 193,737	\$ 203,397	\$ (106,171)
Other Financing Sources (Uses) (c)	\$ (2,065,393)	\$ -	\$ -	\$ -	\$ -	\$ 120,000
Beginning Fund Balance	\$ 633,947	\$ 437,365	\$ 410,963	\$ 217,226	\$ 13,829	\$ -
Ending Fund Balance	\$ 856,578	\$ 633,947	\$ 437,365	\$ 410,963	\$ 217,226	\$ 13,829

(a) Unaudited.

(b) The initial payments of debt service on the Outstanding Bonds became due during the District's fiscal year ended April 30, 2018. Therefore, the majority of the Rebate received during the fiscal year ended April 30, 2018, was allocated to the District's debt service fund. The District anticipates that future payments of the Rebate will also be allocated to the District's debt service fund for payments of debt service due on the Outstanding Bonds and the Bonds. However, the Rebate is not pledged to payment of debt service on the Outstanding Bonds or the Bonds. See "THE BONDS - Public Improvements Agreement."

(c) Represents the Rebate transferred to the District's Debt Service Fund.

UNION PARK

The master-planned community of Union Park encompasses the District. Union Park is a 1,085-acre master planned community, located in the Town along the US Highway 380 corridor. According to the Developer (hereinafter defined), there are approximately 3,341 single-family homes ultimately planned to be constructed within the Union Park community along with walking trails, a 35-acre central park, a community center with resort-style pool, open air pavilion, an amenity center, an elementary school, a food truck park, and other amenities. The District makes no representation as to the likelihood of such planned development occurring within the District.

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STATUS OF DEVELOPMENT

The District encompasses approximately 1,085 total acres of land. To date, approximately 884.61 acres have been developed as 3,139 single-family lots within the following single-family residential subdivisions in the District: Union Park, Phases 1, 2, 3A, 4A, 4B, 5A, 5B, 6A, 6B-1, 6B-2, 6B-3, 6C, 7, 9 and Del Webb at Union Park, Phases 1 and 2. As of May 1, 2022, the District included approximately 2,293 completed homes (2,015 occupied homes, 267 unoccupied homes, and 11 model homes), approximately 245 homes under construction, and approximately 601 vacant developed lots available for home construction. In addition, approximately 60.4 acres (190 lots) are currently under development as Union Park, Phase 8. According to the Engineer, Union Park, Phase 8 is anticipated to be complete by June 2024.

The remaining land in the District includes approximately 16 acres for Union Park Boulevard; approximately 12 acres on which an elementary school will be constructed; and approximately 68.74 acres that are planned for development as multi-use and commercial properties.

The table below summarizes the development within the District as of May 1, 2023, by section.

Section	Acreage (a)	No. of Lots	Homes Completed	Homes Under Construction	Vacant Lots
Union Park Phase 1 (b)	130.92	393	387	1	5
Union Park Phase 2 (c)	109.24	455	452	1	2
Union Park Phase 3A (d)	65.19	289	279	2	8
Union Park Phase 4A	37.15	155	154	1	0
Union Park Phase 4B	49.13	189	189	0	0
Union Park Phase 5A	33.35	137	115	21	1
Union Park Phase 5B	24.35	44	44	0	0
Union Park Phase 6A	36.19	113	84	28	1
Union Park Phase 6B-1	25.91	101	43	46	12
Union Park Phase 6B-2	32.58	133	17	40	76
Union Park Phase 6B-3	31.61	120	0	32	88
Union Park Phase 6C (e)	30.67	30	0	0	30
Union Park Phase 7	79.73	243	3	56	184
Union Park Phase 9 (e)	23.24	128	0	0	128
Del Webb at Union Park Phase 1	113.79	288	268	6	14
Del Webb at Union Park Phase 2	61.56	321	258	11	52
Totals	884.61	3,139	2,293	245	601
Under Development (f)	60.40				
Union Park Blvd	16.00				
Elementary School	12.11				
Multi-Use Commercial	68.74				
Undevelopable	43.01				
Total District Acreage	1,084.87				

- (a) Represents the total acreage shown on the plat of each developed subdivision, including acreage associated with residential lots, roads, detention ponds, floodplain, open space, and parks and recreation.
- (b) Lots were delivered in 3 separate phases.
- (c) Lots were delivered in 4 separate phases.
- (d) Lots were delivered in 2 separate phases.
- (e) Such phases were delivered in June 2023.
- (f) Represents the total approximate acreage of residential sections currently under development and includes acreage associated with residential lots as well as acreage reserved for roads, detention ponds, floodplain, open space, and parks and recreation.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(May 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(May 2023)



THE DEVELOPER

The Role of a Developer

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

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

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

Description of the Developer

H4 Little Elm, L.P., a Texas limited partnership ("H4 Little Elm") was formed for the purpose of acquiring and holding for investment and sale tracts of land, including approximately 757 acres of land in the District by and through its affiliate entities Union Park Phase 1, LP, Union Park Phase 2, LP, Union Park Phase 2BCD, LP, Union Park Phase 3A, LP, Union Park Phase 4 LP, Union Park Phase 5 LP, Union Park Phase 6A, LP and Union Park Phase 6B, LP. The partners of H4 Little Elm include: BOH Investments GP, LLC, a Texas limited liability company ("GP"), and BOH Subpartnership, L.P., a Delaware limited partnership ("LP"). GP is the general partner of H4 Little Elm. UPH4 McCutchin, L.P., a Texas limited partnership ("UPH4") and affiliate of H4 Little Elm, was also formed for the purpose of acquiring and holding certain lands within the District for investment and sale by and through its affiliate entities. UPH4 has acquired approximately 328 acres of land within the District for such purposes. The partners of UPH4 include GP and UP Project, LLC. GP is the general partner of UPH4. H4 Little Elm and UPH4 have determined the overall development plan for such land in the District and arranged for financing the construction of water, sanitary sewer, drainage and road facilities within the District either directly or through affiliate entities. Throughout this Official Statement, H4 Little Elm and UPH4 and their affiliate entities described herein are referred to collectively as the "Developer."

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

Within the District, the Developer and its affiliate entities described herein currently own approximately 60.4 acres that are under construction for the development of single-family residential sections and approximately 38 vacant developed lots within the District.

Principal Landowners

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

On August 18, 2021, the Developer sold approximately 157 acres of developable land within the District to Tri Pointe Homes DFW, LLC (“Tri Pointe”), of which Tri Pointe has developed approximately 56 acres (243 single-family lots) as Union Park, Phase 7. Tri Pointe plans to develop the remaining approximately 101 acres as the future residential subdivision of Union Park, Phases 8 and 9. Tri Pointe is a publicly held company, trading under “TPH” on the New York Stock Exchange and a national homebuilder. For more information, visit www.tripointehomes.com.

Development Financing

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

The Developer has financed the development of Union Park with a line of credit from Texas Capital Bank in the amount of \$40,000,000 with a variable interest rate equal to the Secured Overnight Financing Rate plus 3.00%. Such line of credit matures on September 19, 2024, and is secured by the land and the reimbursements the Developer expects to receive from bond proceeds from the bond sales of the District. As of May 31, 2023, the balance on such loan was \$5,810,263.63. According to the Developer, it is in compliance with all material terms of such line of credit.

Lot Sales Contracts

For the lots developed by the Developer within Union Park, the Developer, through its subsidiary entities, has entered into lot sales contracts with each of American Legend Homes, Drees Custom Homes, Highland Homes, Bloomfield Homes, Beazer Homes, DR Horton Homes, and MHI Builders doing business as Coventry Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 15% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer’s sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently, approximately \$398,750.

According to the Developer, each of the builders is in compliance with their respective lot sale contracts. As of June 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
American Legend Homes	426	396
Drees Custom Homes	94	94
Highland Homes	278	278
Bloomfield Homes	406	400
Beazer Homes	131	131
DR Horton Homes	643	641
Coventry Homes	<u>171</u>	<u>171</u>
Totals	2,149	2,111

HOMEBUILDERS WITHIN THE DISTRICT

Builders currently building homes within the District include American Legend Homes, Drees Custom Homes, Highland Homes, Tri Pointe Homes, Bloomfield Homes, Beazer Homes, DR Horton Homes, Pulte Homes, and MHI Builders doing business as Coventry Homes. The homes being marketed in the District range in size from 1,306 to 3,687 square feet and in price from approximately \$333,990 to \$794,990.

THE ROAD SYSTEM

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

THE UTILITY SYSTEM

Regulation

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

Description of the Utility System

Water Supply

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

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

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

Wastewater Treatment

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

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

Mustang, under the terms of its agreement with the UTRWD, is made a participant in the Riverbend Wastewater Treatment Plant, which is operated and maintained by the UTRWD. As referenced above, Mustang owns sufficient wastewater treatment capacity through its agreement with the UTRWD to provide 1,530 equivalent single-family connections (“ESFCs”) within Comanche Ridge Sewer Trunk. Union Park Phase 1, LP and the District, entered into the “Cost Sharing Agreement” with the City of Aubrey, Texas on January 19, 2016 for the City of Aubrey, Texas to construct a 24-inch Trunk Main and to provide 1.2 MGD capacity to the District. This capacity is more than sufficient to serve the remaining ESFCs of Union Park.

Drainage

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

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DISTRICT DEBT

2022 Taxable Assessed Valuation.....	\$ 755,087,436	(a)
2023 Certified Estimate of Assessed Valuation.....	\$1,215,585,846	(b)
Estimate of Value as of May 1, 2023	\$1,294,844,000	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 83,140,000	
The Utility Bonds	\$ 10,985,000	
The Road Bonds	<u>\$ 35,240,000</u>	
Total.....	\$ 129,365,000	
Estimated Overlapping Debt.....	<u>\$ 53,112,490</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 182,477,490	(d)
Direct Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	17.13	%
As a percentage of the 2023 Certified Estimate of Assessed Valuation	10.64	%
As a percentage of the Estimate of Value as of May 1, 2023.....	9.99	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of the 2022 Taxable Assessed Valuation.....	24.17	%
As a percentage of the 2023 Certified Estimate of Assessed Valuation	15.01	%
As a percentage of the Estimate of Value as of May 1, 2023.....	14.09	%
Utility System Debt Service Fund Balance (as of June 8, 2023).....	\$ 1,700,710	(e)
Road System Debt Service Fund Balance (as of June 8, 2023).....	\$ 1,471,616	(f)
General Operating Fund Balance (as of June 8, 2023)	\$ 1,118,701	

-
- (a) Represents the taxable amount of the assessed value of all taxable property within the District as of January 1, 2022, provided by the Denton Central Appraisal District (the "Appraisal District" or "DCAD"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by DCAD as the certified estimate of assessed value as of January 1, 2023. Includes \$411,972,874 of value under review by the Appraisal Review Board as of May 20, 2023. No taxes will be levied on such certified estimate of value, which is subject to protest by landowners. See "TAXING PROCEDURES."
 - (c) Provided by DCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2023, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2023, through May 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (d) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
 - (e) Upon closing of the Utility Bonds, six (6) months of capitalized interest on the Utility Bonds will be deposited into this fund. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System, including the Road Bonds.
 - (f) Upon closing of the Road Bonds, six (6) months of capitalized interest on the Road Bonds will be deposited into this fund. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Tax Rates		
Debt Service	\$0.373	(a)
Maintenance & Operation	<u>\$0.145</u>	
Total.....	\$0.518	(b)
Average Annual Debt Service Requirement (2023–2048)	\$7,362,679	(c)
Maximum Annual Debt Service Requirement (2042).....	\$8,342,334	(c)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	\$1.03	(d)
Based on the 2023 Certified Estimate of Assessed Valuation.....	\$0.64	(d)
Based on the Estimate of Value as of May 1, 2023.....	\$0.60	(d)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2042) at 95% Tax Collections:		
Based on the 2022 Taxable Assessed Valuation	\$1.17	(d)
Based on the 2023 Certified Estimate of Assessed Valuation.....	\$0.73	(d)
Based on the Estimate of Value as of May 1, 2023.....	\$0.68	(d)
Number of Single-Family Homes.....	2,538	(e)

-
- (a) Represents the combined debt service tax rate resulting from the following two taxes levied by the District: a tax in the amount of \$0.188 for payment of debt service on the Outstanding Bonds issued for the Utility System and a tax of \$0.185 for payment of debt service on the Outstanding Bonds issued for the Road System. The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS – Future Debt."
- (b) See "TAX DATA."
- (c) Requirement of combined debt service on the Outstanding Bonds and debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."
- (d) Represents the amount of the combined debt service tax rate that is necessary to meet the applicable requirement of debt service based on the corresponding valuation of the District and a tax collection rate of 95%. Such amounts do not reflect the District's anticipated use of funds from the Rebate for payment of a portion of the debt service on the Outstanding Bonds and the Bonds. Based on the Town's 2022 tax rate of \$0.629900 per \$100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately \$0.289754 per \$100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds. While the District intends to use the Rebate to pay a portion of the debt service on the Outstanding Bonds and the Bonds, the Rebate is not pledged to the payment of debt service on the Outstanding Bonds and the Bonds. See "THE BONDS – Public Improvements Agreement."
- (e) Approximate number of homes, including 2,293 completed homes and 245 homes under construction within the District as of May 1, 2023.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt April 30, 2023	Overlapping	
		Percent	Amount
The County	\$ 557,650,000	0.50%	\$ 2,809,891
Denton Independent School District	1,237,690,283	3.04	37,602,933
The Town	108,975,000	11.65	<u>12,699,666</u>
Total Estimated Overlapping Debt			\$53,112,490
Direct Debt (a)			<u>\$129,365,000</u>
Total Direct and Estimated Overlapping Debt (a)			\$182,477,490

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of the 2022 Taxable Assessed Valuation.....	17.13 %
As a percentage of the 2023 Certified Estimate of Assessed Valuation	10.64 %
As a percentage of the Estimate of Value as of May 1, 2023.....	9.99 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of the 2022 Taxable Assessed Valuation.....	24.70 %
As a percentage of the 2023 Certified Estimate of Assessed Valuation	15.01 %
As a percentage of the Estimate of Value as of May 1, 2023.....	14.09 %

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Debt Service Requirements

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds				Total Combined Debt Service
		The Utility Bonds		The Road Bonds		
		Principal	Interest	Principal	Interest	
2023	\$ 1,276,061	\$ -	\$ -	\$ -	\$ -	\$ 1,276,061
2024	5,168,832	-	571,274	-	1,849,684	7,589,789
2025	5,152,471	260,000	481,350	835,000	1,507,163	8,235,984
2026	5,152,614	270,000	466,775	870,000	1,451,750	8,211,139
2027	5,149,471	285,000	451,513	910,000	1,393,900	8,189,884
2028	5,160,298	300,000	435,425	955,000	1,333,288	8,184,011
2029	5,168,143	310,000	418,650	1,000,000	1,269,750	8,166,543
2030	5,173,390	325,000	401,188	1,045,000	1,211,125	8,155,703
2031	5,185,334	340,000	382,900	1,095,000	1,163,100	8,166,334
2032	5,192,709	355,000	363,788	1,145,000	1,118,300	8,174,797
2033	5,199,913	375,000	343,713	1,195,000	1,071,500	8,185,125
2034	5,214,444	390,000	322,675	1,250,000	1,022,600	8,199,719
2035	5,236,491	410,000	301,700	1,310,000	971,400	8,229,591
2036	5,248,309	425,000	280,825	1,370,000	917,800	8,241,934
2037	5,255,997	445,000	261,300	1,430,000	861,800	8,254,097
2038	5,267,238	465,000	243,100	1,495,000	803,300	8,273,638
2039	5,270,350	490,000	224,000	1,565,000	742,100	8,291,450
2040	5,277,769	510,000	204,000	1,640,000	678,000	8,309,769
2041	5,279,884	535,000	182,766	1,715,000	610,900	8,323,550
2042	5,291,353	560,000	160,181	1,790,000	540,800	8,342,334
2043	4,497,028	585,000	136,566	1,875,000	467,500	7,561,094
2044	4,065,653	610,000	111,538	1,960,000	390,800	7,137,991
2045	3,261,559	640,000	84,975	2,050,000	310,600	6,347,134
2046	2,529,494	670,000	57,138	2,145,000	226,700	5,628,331
2047	1,499,400	700,000	32,400	2,245,000	138,900	4,615,700
2048	-	730,000	10,950	2,350,000	47,000	3,137,950
	\$ 116,174,205	\$ 10,985,000	\$ 6,930,686	\$ 35,240,000	\$ 22,099,759	\$ 191,429,650

Average Annual Combined Debt Service Requirement (2023–2048).....\$7,362,679

Maximum Annual Combined Debt Service Requirement (2042).....\$8,342,334

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of amounts due under certain contractual obligations. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2022 tax year, the District has not granted a general residential homestead exemption.

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

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser 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 one political subdivision while claiming it for another. If a claimant receives the agricultural use 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, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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 District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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 DCAD to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Tax Abatement

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 10. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "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.

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Rate Tax District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Rate Tax District.

Developing Districts

Districts that do not meet the classification of a Low Rate Tax District or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 1.08 times the previous year's operation and maintenance tax rate.

The District

A determination as to a district's status as a Low Rate Tax District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2022 tax year, the Board designated the District as a "developing district." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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TAX DATA

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, two taxes adequate to provide funds to pay the principal of and interest on the Bonds. In 2022, the District levied a total tax rate of \$0.518 per \$100 of assessed valuation composed of a maintenance tax rate of \$0.145, a Utility System debt service tax rate of \$0.188, and a Road System debt service tax rate of \$0.185. See "Tax Rate Distribution" below, "TAXING PROCEDURES," and "INVESTMENT CONSIDERATIONS."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. Maintenance tax elections were held on May 9, 2015, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.20 per \$100 assessed valuation for general operations and maintenance costs. The District levied a \$0.145 operation and maintenance tax rate for the 2022 tax year. See "Tax Rate Distribution" below.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2018 – 2022 tax years:

Tax Year	Adjusted Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 4/30/23
2018	\$ 170,064,299	\$ 0.515	\$ 875,831	99.81%	2019	99.82%
2019	269,201,926	0.515	1,386,390	99.55	2020	99.89
2020	344,661,257	0.515	1,775,005	99.32	2021	99.81
2021	512,189,602	0.518	2,653,142	99.56	2022	99.86
2022	755,087,436	0.518	3,911,353	98.45 (b)	2023	98.45

(a) See "– Tax Rate Distribution" below.

(b) Collections in progress.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Road System Debt Service	\$ 0.1850	\$ 0.1730	\$ 0.1800	\$ 0.1950	\$ 0.1400
Utility System Debt Service	0.1880	0.2000	0.1900	0.1650	0.1500
Maintenance	<u>0.1450</u>	<u>0.1450</u>	<u>0.1450</u>	<u>0.1550</u>	<u>0.2250</u>
Total	\$ 0.5180	\$ 0.5180	\$ 0.5150	\$ 0.5150	\$ 0.5150

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Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2018–2022 tax years by type of property.

Type of Property	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 230,333,582	\$ 188,704,026	\$ 148,744,724	\$ 140,713,518	\$ 97,765,022
Improvements	579,517,603	344,613,237	212,189,492	140,126,478	96,042,655
Personal Property	788,058	201,764	178,466	185,539	202,588
Exemptions	(55,551,807)	(21,329,425)	(16,451,425)	(11,823,609)	(23,945,966)
Total	\$ 755,087,436	\$ 512,189,602	\$ 344,661,257	\$ 269,201,926	\$ 170,064,299

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022, as provided by DCAD:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	% of Assessed Valuation
Union House LP	Land & Improvements	\$ 26,881,500	3.56%
Pulte Homes of Texas LP (a)	Land & Improvements	22,123,755	2.93%
PS LPT Properties Investors	Land & Improvements	15,709,109	2.08%
Union Park – Little Elm LP	Land & Improvements	7,918,991	1.05%
H4 Little Elm LP	Land & Improvements	7,003,525	0.93%
American Legend Homes LLC (b)	Land & Improvements	5,493,335	0.73%
Union Park Phase 6B LP (c)	Land	5,363,516	0.71%
Highland Homes Dallas LLC (b)	Land & Improvements	5,034,905	0.67%
D R Horton LTD (b)	Land & Improvements	3,813,667	0.51%
J&E Morries Investments LLC	Land & Improvements	3,520,862	0.68%
Total		\$102,863,165	13.62%

(a) See “THE DEVELOPER – Principal Landowners” herein.
 (b) See “HOMEBUILDERS WITHIN THE DISTRICT.”
 (c) See “THE DEVELOPER.” Such entity is an affiliate to the Developer.

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Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain combined debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2022 Taxable Assessed Valuation (\$755,087,436), the 2023 Certified Estimate of Assessed Valuation (\$1,215,585,846), or the Estimate of Value as of May 1, 2023 (\$1,294,844,000). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Combined Debt Service Requirement (2023–2048).....	\$7,362,679
Debt Service Tax Rate of \$1.03 on the 2022 Taxable Assessed Valuation.....	\$7,388,531
Debt Service Tax Rate of \$0.64 on the 2023 Certified Estimate of Assessed Valuation	\$7,390,762
Debt Service Tax Rate of \$0.60 on the Estimate of Value as of May 1, 2023.....	\$7,380,611
Maximum Annual Combined Debt Service Requirement (2042)	\$8,342,334
Debt Service Tax Rate of \$1.17 on the 2022 Taxable Assessed Valuation.....	\$8,392,797
Debt Service Tax Rate of \$0.73 on the 2023 Certified Estimate of Assessed Valuation	\$8,430,088
Debt Service Tax Rate of \$0.68 on the Estimate of Value as of May 1, 2023.....	\$8,364,692

The District anticipates that a portion of the debt service on the Bonds will be paid with the Rebate pursuant to the Public Improvements Agreement. Based on the Town’s 2022 tax rate of \$0.62900 per \$100 of assessed valuation with a 46% rebate, the District expects to receive a Rebate of approximately \$0.289754 per \$100 of assessed valuation that is expected to be used to pay debt service on the Bonds. If such revenues from the Rebate are ever insufficient to make such payments, the District is obligated to levy a debt service tax in an amount sufficient to make such payments. See “THE BONDS – Public Improvements Agreement.”

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

	2022 Tax Rate Per \$100 of Assessed Value
The District	\$0.518000
The County	\$0.217543
Denton Independent School District	\$1.244600
The Town	<u>\$0.629900</u>
Total Estimated Tax Rate	\$2.710043

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INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; the County; the Town; or any political subdivision other than the District. The Bonds are secured by the proceeds of two annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See “THE BONDS – Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential, commercial, retail and multi-family housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and natural gas prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “STATUS OF DEVELOPMENT.”

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

Dependence on Major Taxpayers and the Developer: The District’s tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s ten principal taxpayers in 2022 owned approximately 13.62% of the assessed value of property, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by one or more of the District’s principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See “– Tax Collections and Foreclosure Remedies” below.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2022, the District levied a total tax rate of \$0.518 per \$100 of assessed valuation composed of a maintenance tax rate of \$0.145, a Utility System debt service tax rate of \$0.188, and a Road System debt service tax rate of \$0.185.

Developer’s Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any owner of property to proceed at any particular pace with the construction of homes or commercial improvements in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, in the District. Failure to construct taxable improvements would restrict the rate

of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT," "THE DEVELOPER," and "THE DISTRICT."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2022 Taxable Assessed Valuation of all taxable property located within the District is \$755,087,436, the 2023 Certified Estimate of Assessed Valuation is \$1,215,585,846, and the Estimate of Value as of May 1, 2023, is \$1,294,844,000. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds (2042) is \$8,342,334, and the average annual debt service requirement on the Outstanding Bonds and the Bonds (2023–2048) is \$7,362,679. Assuming no decrease to the District's 2022 Taxable Assessed Valuation, tax rates of \$1.17 and \$1.03 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease to the District's 2023 Certified Estimate of Assessed Valuation, tax rates of \$0.73 and \$0.64 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of May 1, 2023, tax rates of \$0.68 and \$0.60 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

The District anticipates that a portion of the debt service on the Outstanding Bonds and the Bonds will be paid with the Rebate pursuant to the Public Improvements Agreement. Based on the Town's 2022 tax rate of \$0.62990 with a 46% rebate, the District expects to receive a Rebate of approximately \$0.289754 per \$100 of assessed valuation that is expected to be used to pay debt service on the Outstanding Bonds and the Bonds but is **not** pledged to the payment of debt service on the Outstanding Bonds and the Bonds. If such revenues are ever insufficient to make debt service payments, the District is obligated to levy debt service taxes sufficient to make such payments. No representation can be made as to the Town's future tax rates and the impact they would have on the anticipated Rebate, or the ability of the District to make debt service payments on the Bonds if the Rebate is unavailable. See "THE BONDS – Public Improvements Agreement."

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

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayer's right to redeem property after foreclosure). 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 assessed against such taxpayer.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

After the issuance of the Bonds, the District will have \$14,450,000 principal amount of unlimited tax bonds authorized but unissued bonds for the Utility System and \$104,767,500 for the refunding of such bonds and \$39,230,000 principal amount of unlimited tax bonds authorized but unissued for the Road System and \$177,675,000 for the refunding of such bonds. Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

After the issuance of the Bonds, the District will still owe the Developer approximately \$2,350,000 for construction the Utility System and approximately \$9,000,000 for the construction of the Road System on behalf of the District. The issuance of additional bonds will be necessary to finance the ultimate development of the remaining lands within the District. See “THE BONDS – Issuance of Additional Debt.”

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—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 Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the DFW 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 DFW 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 DFW Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the DFW Area's economic growth and development. As a result of the DFW Area's reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the "moderate" nonattainment classification and by May 2024 addressing the "severe" nonattainment classification.

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 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 (4) 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 became effective on June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 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. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” The rule was published in the Federal Register on January 18, 2023 and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Future and Proposed Legislation

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

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Potential Impact of Natural Disaster

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

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

Changes in Tax Legislation

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

Bond Insurance Investment Considerations

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the “Insurance Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the policy, if any (the “Bond Insurer”), at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

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

TAX MATTERS

Opinion

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

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Developer, the Engineer, the Tax Assessor/Collector, DCAD and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the

agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Consultants

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

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

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

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information via EMMA.

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

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

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

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

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

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

ATTEST:

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

APPENDIX A
Financial Statements of the District

HIGHWAY 380
MUNICIPAL MANAGEMENT DISTRICT NO. 1
DENTON COUNTY, TEXAS
ANNUAL AUDIT REPORT
APRIL 30, 2022

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September 8, 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Highway 380 Municipal Management District No. 1 as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise Highway 380 Municipal Management District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Highway 380 Municipal Management District No. 1, as of April 30, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Highway 380 Municipal Management District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Highway 380 Municipal Management District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Highway 380 Municipal Management District No. 1's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Highway 380 Municipal Management District No. 1's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highway 380 Municipal Management District No. 1's basic financial statements. The supplementary information on Pages 23 to 48 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Highway 380 Municipal Management District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2022.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

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

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 4,542,365	\$ 2,456,810	\$ 2,085,555
Capital assets	10,158,796	14,814,229	(4,655,433)
Total assets	<u>14,701,161</u>	<u>17,271,039</u>	<u>(2,569,878)</u>
Long-term liabilities	68,986,100	57,109,357	11,876,743
Other liabilities	7,709,325	7,667,151	42,174
Total liabilities	<u>76,695,425</u>	<u>64,776,508</u>	<u>11,918,917</u>
Net position:			
Invested in capital assets, net of related debt	(66,315,774)	(49,927,775)	(16,387,999)
Restricted	3,470,272	1,763,220	1,707,052
Unrestricted	851,238	659,086	192,152
Total net position	<u>\$ (61,994,264)</u>	<u>\$ (47,505,469)</u>	<u>\$ (14,488,795)</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,783,257	\$ 1,693,482	\$ 1,089,775
Payments from Town of Little Elm	1,481,015	977,678	503,337
Capital recovery fees	998,000	531,500	466,500
Other revenues	566	4,349	(3,783)
Total revenues	<u>5,262,838</u>	<u>3,207,009</u>	<u>2,055,829</u>
Expenses:			
Service operations	16,694,461	14,223,353	2,471,108
Debt service	3,057,172	2,402,342	654,830
Total expenses	<u>19,751,633</u>	<u>16,625,695</u>	<u>3,125,938</u>
Change in net position	(14,488,795)	(13,418,686)	(1,070,109)
Net position, beginning of year	<u>(47,505,469)</u>	<u>(34,086,783)</u>	<u>(13,418,686)</u>
Net position, end of year	<u>\$ (61,994,264)</u>	<u>\$ (47,505,469)</u>	<u>\$ (14,488,795)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2022, were \$4,355,028, an increase of \$1,986,601 from the prior year.

The General Fund balance increased by \$196,582, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$781,578, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$1,008,441, as the proceeds from the Series 2021 utility bonds, the Series 2021 road bonds, the Series 2021 Bond Anticipation Note and interest earnings on deposits exceeded authorized expenditures and the repayment of the Series 2020 Bond Anticipation Note.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. There were several significant differences between the budgetary amounts and the actual amounts. A detailed comparison of budgeted and actual revenues and expenditures is presented on Page 22 of this report. The budgetary fund balance as of April 30, 2022, was expected to be \$727,090 and the actual end of year fund balance was \$846,364.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Construction in progress	\$ 10,145,039	\$ 14,800,472	\$ (4,655,433)
Easements	13,757	13,757	0
Totals	<u>\$ 10,158,796</u>	<u>\$ 14,814,229</u>	<u>\$ (4,655,433)</u>

Changes to capital assets during the fiscal year ended April 30, 2022, are summarized as follows:

Additions:		
Utilities and roads constructed by developer		\$ 4,408,434
Decreases:		
Transfer of assets to other entities		<u>(9,063,867)</u>
Net change to capital assets		<u>\$ (4,655,433)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2022, are summarized as follows:

Bonded debt payable, beginning of year	\$ 44,745,000
Utility bonds sold	11,140,000
Road bonds sold	7,525,000
Bonds paid	<u>(1,395,000)</u>
Bonded debt payable, end of year	<u>\$ 62,015,000</u>

At April 30, 2022, the District had \$88,970,000 unlimited tax bonds authorized but unissued for road purposes and \$34,070,000 authorized but unissued for water, sanitary sewer and drainage purposes.

The District's Series 2019, 2020 and 2021 utility bonds and Series 2019, 2020 and 2021 road bonds have an underlying rating of Baa1 by Moody's. The District's Series 2018, 2019 and 2020 utility bonds and Series 2018, 2019, 2020 and 2021 road bonds are insured by Build America Mutual Assurance Company. The Series 2021 utility bonds are insured by Assured Guaranty Municipal Corp. Because of the insurance, these bonds are rated AA by Standard & Poor's. The District's other bonds are not rated or insured.

The District issued its Series 2021 Bond Anticipation Note (“BAN”) in the amount of \$5,678,000 on December 16, 2021 during the fiscal year ended April 30, 2022. The BAN bears interest at a rate of 0.97% per annum and is due and payable on December 15, 2022. The Series 2021 BAN will be repaid from the proceeds of the District’s Series 2022 utility bonds when issued on September 13, 2022.

Subsequent to April 30, 2022, the District will issue its \$8,635,000 Series 2022 utility bonds and \$14,500,000 Series 2022 road bonds on September 13, 2022.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2022, the cumulative amount of developer advances for this purpose was \$9,509.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads and water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At April 30, 2022, the estimated amount due to the developer was \$10,145,039.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District’s tax base increased approximately \$168,265,000 for the 2021 tax year (approximately 49%) due to the addition of new property and improvements within the District.

The District’s tax base is concentrated in a small number of taxpayers. The District’s developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the Town of Little Elm

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

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2022

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 946,749	\$2,055,373	\$ 793,743	\$ 3,795,865	\$	\$ 3,795,865
Certificates of deposit, at cost, Note 7		245,000		245,000		245,000
Receivables:						
Property taxes	14,383	34,859		49,242		49,242
Accrued interest		212		212		212
Other		77	485	562		562
Due from Town of Little Elm, Note 9		132,524	275,885	408,409		408,409
Due from other funds	4,381		43,285	47,666	(47,666)	0
Prepaid bond expenditures	43,075			43,075		43,075
Capital assets not being depreciated, Note 4				0	10,158,796	10,158,796
Total assets	<u>\$1,008,588</u>	<u>\$2,468,045</u>	<u>\$ 1,113,398</u>	<u>\$ 4,590,031</u>	<u>10,111,130</u>	<u>14,701,161</u>
LIABILITIES						
Accounts payable	\$ 104,556	\$	\$ 5,950	\$ 110,506		110,506
Construction contracts payable			27,589	27,589		27,589
Due to other funds	43,285	4,381		47,666	(47,666)	0
Long-term liabilities, Note 5:						
Due within one year				0	7,571,230	7,571,230
Due in more than one year				0	68,986,100	68,986,100
Total liabilities	<u>147,841</u>	<u>4,381</u>	<u>33,539</u>	<u>185,761</u>	<u>76,509,664</u>	<u>76,695,425</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>14,383</u>	<u>34,859</u>	<u>0</u>	<u>49,242</u>	<u>(49,242)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		73,251		73,251	(73,251)	0
Assigned to:						
Debt service		2,355,554		2,355,554	(2,355,554)	0
Capital projects			1,079,859	1,079,859	(1,079,859)	0
Unassigned	<u>846,364</u>			<u>846,364</u>	<u>(846,364)</u>	<u>0</u>
Total fund balances	<u>846,364</u>	<u>2,428,805</u>	<u>1,079,859</u>	<u>4,355,028</u>	<u>(4,355,028)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,008,588</u>	<u>\$2,468,045</u>	<u>\$ 1,113,398</u>	<u>\$ 4,590,031</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(66,315,774)	(66,315,774)
Restricted for debt service					2,390,413	2,390,413
Restricted for capital projects					1,079,859	1,079,859
Unrestricted, Note 5					<u>851,238</u>	<u>851,238</u>
Total net position					<u>\$ (61,994,264)</u>	<u>\$(61,994,264)</u>

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

FOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 782,892	\$ 2,004,172	\$	\$ 2,787,064	\$ (14,146)	\$ 2,772,918
Payments from Town of Little Elm, Note 9		1,481,015		1,481,015		1,481,015
Capital recovery fees, Note 9	998,000			998,000		998,000
Penalty, interest and other		10,339		10,339		10,339
Accrued interest on bonds received at date of sale		14,548		14,548	(14,548)	0
Interest on deposits	<u>160</u>	<u>219</u>	<u>187</u>	<u>566</u>		<u>566</u>
Total revenues	<u>1,781,052</u>	<u>3,510,293</u>	<u>187</u>	<u>5,291,532</u>	<u>(28,694)</u>	<u>5,262,838</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	74,443	2,993	12,115	89,551		89,551
Contracted services	49,339	14,634		63,973		63,973
Utilities - electricity	34,948			34,948		34,948
Utilities - water and sewer	15,868			15,868		15,868
Repairs and maintenance	1,067,815			1,067,815		1,067,815
Administrative expenditures	19,890	300	670	20,860		20,860
Capital outlay / non-capital outlay	322,167		14,088,327	14,410,494		14,410,494
Interest on developer construction			990,952	990,952		990,952
Debt service:						
Principal retirement		1,395,000		1,395,000	(1,395,000)	0
Bond issuance expenditures			1,192,756	1,192,756		1,192,756
Interest and fees		<u>1,598,110</u>		<u>1,598,110</u>	<u>266,306</u>	<u>1,864,416</u>
Total expenditures / expenses	<u>1,584,470</u>	<u>3,011,037</u>	<u>16,284,820</u>	<u>20,880,327</u>	<u>(1,128,694)</u>	<u>19,751,633</u>
Excess (deficiency) of revenues over expenditures	<u>196,582</u>	<u>499,256</u>	<u>(16,284,633)</u>	<u>(15,588,795)</u>	<u>1,100,000</u>	<u>(14,488,795)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		711,926	17,953,074	18,665,000	(18,665,000)	0
Bond issuance discount, Note 5		(429,604)		(429,604)	429,604	0
Bond Anticipation Note repayment, Note 5			(6,338,000)	(6,338,000)	6,338,000	0
Bond Anticipation Note proceeds, Note 5			<u>5,678,000</u>	<u>5,678,000</u>	<u>(5,678,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>282,322</u>	<u>17,293,074</u>	<u>17,575,396</u>	<u>(17,575,396)</u>	<u>0</u>
Net change in fund balances / net position	196,582	781,578	1,008,441	1,986,601	(16,475,396)	(14,488,795)
Beginning of year	<u>649,782</u>	<u>1,647,227</u>	<u>71,418</u>	<u>2,368,427</u>	<u>(49,873,896)</u>	<u>(47,505,469)</u>
End of year	<u>\$ 846,364</u>	<u>\$ 2,428,805</u>	<u>\$ 1,079,859</u>	<u>\$ 4,355,028</u>	<u>\$(66,349,292)</u>	<u>\$(61,994,264)</u>

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2022

NOTE 1: REPORTING ENTITY

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 4,355,028
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		10,158,796
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (62,015,000)	
Issuance discount (to be amortized as interest expense)	1,290,218	
Bond Anticipation Note payable	(5,678,000)	
Due to developers for operating advances	(9,509)	
Due to developers for construction	<u>(10,145,039)</u>	(76,557,330)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		<u>49,242</u>
Net position, end of year		<u>\$ (61,994,264)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances	\$ 1,986,601
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>	
Utility bonds issued	\$11,140,000)
Road bonds issued	(7,525,000)
Principal reduction	1,395,000
Bond Anticipation Note paid	6,338,000
Bond Anticipation Note sold	<u>(5,678,000)</u> (16,610,000)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>	
Issuance discount	148,750
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>	
Uncollected property taxes	<u>(14,146)</u>
Change in net position	<u>\$14,488,795)</u>

NOTE 4: CAPITAL ASSETS

At April 30, 2022, "Invested in capital assets, net of related debt" was \$(66,315,774). As further described in Note 9, under the terms of agreements with the Town of Little Elm and Mustang Special Utility District, the District transfers the ownership of certain capital assets constructed by the District to the respective entity. Under the terms of the agreements, the District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the system until such phase is completed and approved by the other entity, at which time ownership of such phase shall be transferred to the other entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

Capital asset activity for the fiscal year ended April 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Easements	\$ 13,757	\$	\$	\$ 13,757
Construction in progress	<u>14,800,472</u>	<u>4,408,434</u>	<u>9,063,867</u>	<u>10,145,039</u>
Total capital assets not being depreciated	<u>14,814,229</u>	<u>4,408,434</u>	<u>9,063,867</u>	<u>10,158,796</u>
 Total capital assets, net	 <u>\$ 14,814,229</u>	 <u>\$ 4,408,434</u>	 <u>\$ 9,063,867</u>	 <u>\$ 10,158,796</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 4,408,434	\$	
Capital outlay paid (decrease in liability) to developer		(9,063,867)		
Assets transferred to other entities		<u>9,063,867</u>	<u>9,063,867</u>	
Net increases / decreases to capital assets		<u>\$ 4,408,434</u>	<u>\$ 9,063,867</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 44,745,000	\$ 18,665,000	\$ 1,395,000	\$ 62,015,000	\$ 2,010,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	<u>(1,141,468)</u>	<u>(429,604)</u>	<u>(280,854)</u>	<u>(1,290,218)</u>	<u>(116,770)</u>
Total bonds payable	<u>43,603,532</u>	<u>18,235,396</u>	<u>1,114,146</u>	<u>60,724,782</u>	<u>1,893,230</u>
Bond Anticipation Note payable	<u>6,338,000</u>	<u>5,678,000</u>	<u>6,338,000</u>	<u>5,678,000</u>	<u>5,678,000</u>
Due to developers for operating advances (see below)	9,509			9,509	-----
Due to developers for construction (see below)	<u>14,800,472</u>	<u>4,408,434</u>	<u>9,063,867</u>	<u>10,145,039</u>	-----
Total due to developers	<u>14,809,981</u>	<u>4,408,434</u>	<u>9,063,867</u>	<u>10,154,548</u>	<u>0</u>
Total long-term liabilities	<u>\$ 64,751,513</u>	<u>\$ 28,321,830</u>	<u>\$ 16,516,013</u>	<u>\$ 76,557,330</u>	<u>\$ 7,571,230</u>

The District issued its Series 2021 Bond Anticipation Note ("BAN") in the amount of \$5,678,000 on December 16, 2021 during the fiscal year ended April 30, 2022. The BAN bears interest at a rate of 0.97% per annum and is due and payable on December 15, 2022. The Series 2021 BAN will be repaid from the proceeds of the District's Series 2022 utility bonds when issued on September 13, 2022.

Subsequent to April 30, 2022, the District will issue its \$8,635,000 Series 2022 utility bonds and \$14,500,000 Series 2022 road bonds on September 13, 2022.

The District pays the amount due May 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of April 30, 2022, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,010,000	\$ 1,708,965	\$ 3,718,965
2024	2,080,000	1,640,837	3,720,837
2025	2,135,000	1,569,855	3,704,855
2026	2,205,000	1,500,415	3,705,415
2027	2,265,000	1,434,593	3,699,593
2028 - 2032	12,355,000	6,291,886	18,646,886
2033 - 2037	14,285,000	4,599,791	18,884,791
2038 - 2042	16,630,000	2,494,238	19,124,238
2043 - 2046	<u>8,050,000</u>	<u>419,780</u>	<u>8,469,780</u>
	<u>\$ 62,015,000</u>	<u>\$ 21,660,360</u>	<u>\$ 83,675,360</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at April 30, 2022, were as follows:

	<u>Series 2016 Road</u>	<u>Series 2017 Utility</u>	<u>Series 2017 Road</u>
Amounts outstanding, April 30, 2022	\$5,700,000	\$2,805,000	\$2,975,000
Interest rates	2.20% to 3.625%	2.20% to 3.875%	3.00% to 4.00%
Maturity dates, serially beginning/ending	May 1, 2023/2042	May 1, 2023/2042	May 1, 2023/2042
Interest payment dates	May 1/November 1	May 1/November 1	May 1/November 1
Callable dates	May 1, 2024*	May 1, 2025*	May 1, 2025*
	<u>Series 2018 Utility</u>	<u>Series 2018 Road</u>	<u>Series 2019 Utility</u>
Amounts outstanding, April 30, 2022	\$6,260,000	\$3,760,000	\$5,265,000
Interest rates	3.00% to 5.50%	4.00% to 5.00%	2.00% to 4.50%
Maturity dates, serially beginning/ending	May 1, 2023/2043	May 1, 2023/2044	May 1, 2023/2044
Interest payment dates	May 1/November 1	May 1/November 1	May 1/November 1
Callable dates	May 1, 2023*	May 1, 2023*	May 1, 2024*
	<u>Series 2019 Road</u>	<u>Series 2020 Utility</u>	<u>Series 2020 Road</u>
Amounts outstanding, April 30, 2022	\$3,735,000	\$8,765,000	\$4,085,000
Interest rates	2.00% to 4.00%	1.875% to 4.375%	2.00% to 3.00%
Maturity dates, serially beginning/ending	May 1, 2023/2044	May 1, 2023/2045	May 1, 2023/2045
Interest payment dates	May 1/November 1	May 1/November 1	May 1/November 1
Callable dates	May 1, 2024*	May 1, 2025*	May 1, 2025*
	<u>Series 2021 Utility</u>	<u>Series 2021 Road</u>	
Amounts outstanding, April 30, 2022	11,140,000	\$7,525,000	
Interest rates	2.00% to 2.50%	2.00% to 2.375%	
Maturity dates, serially beginning/ending	May 1, 2023/2046	May 1, 2023/2046	
Interest payment dates	May 1/November 1	May 1/November 1	
Callable dates	May 1, 2026*	May 1, 2026*	

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Road bonds voted	\$ 118,450,000
Road bonds approved for sale and sold	29,480,000
Road bonds voted and not issued	88,970,000
Water, sewer and drainage bonds voted	69,825,000
Water, sewer and drainage bonds approved for sale and sold	35,755,000
Water, sewer and drainage bonds voted and not issued	34,070,000

In accordance with the Series 2018 Road Bond Order, 2020 Utility Bond Order and the Series 2020 Road Bond Order, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

6 months' interest from sale of Series 2021 utility bonds	\$ 120,541	
Accrued interest received at date of sale	8,706	\$129,247
12 months' interest from sale of Series 2021 road bonds	161,781	
Accrued interest received at date of sale	5,842	167,623
Deduct appropriation for bond interest paid:		
Series 2021 utility bonds	(129,247)	
Series 2021 road bonds	(94,372)	(223,619)
Bond interest reserve, end of year		\$ 73,251

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2022, the cumulative amount of unreimbursed developer advances was \$9,509. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$860,747.

The developer within the District has constructed certain underground facilities and roads within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality. The developer stated that unreimbursed cost of the construction in progress at April 30, 2022, was \$10,145,039. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held May 19, 2015, the voters within the District authorized a maintenance tax not to exceed \$1.20 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On September 9, 2021, the District levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$326,725,093:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.2000	\$ 1,026,363
Debt service, Roads	0.1730	887,804
Maintenance	<u>0.1450</u>	<u>744,113</u>
	<u>\$ 0.5180</u>	<u>\$ 2,658,280</u>

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

2021 tax year total property tax levy	\$ 2,658,280
Appraisal district adjustments to prior year taxes	<u>(972,562)</u>
Statement of Activities property tax revenues	<u>\$ 1,685,718</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTE 7: DEPOSITS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	\$ 2,055,373
Certificate of deposit	<u>245,000</u>
	<u>\$ 2,300,373</u>

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 793,743</u>
------	-------------------

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At April 30, 2022, the District had property damage and boiler and machinery coverage of \$3,341,983, general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, umbrella liability coverage of \$1,000,000 and consultant’s crime coverage of \$10,000.

NOTE 9: CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

Town of Little Elm

The District lies wholly within the corporate boundaries of the Town of Little Elm (the “Town”). Effective October 15, 2013, the District entered into a Public Improvements Agreement and Chapter 380 Economic Development Agreement (the “Agreement”) with the Town of Little Elm and the developer. In consideration of the District’s acquiring and constructing road and utility systems on behalf of the Town, the Town agrees, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the road and drainage systems. In addition, the Town shall rebate 46% of the ad valorem taxes imposed and collected by the Town on land and improvements located within the District back to the District. Under the terms of the Agreement, the rebate will be used by the District to pay for the design and construction of roads, utilities, recreational facilities and firefighting facilities or to pay debt service on bonds issued by the District for such purposes. If such rebate is insufficient to make debt service payments, the District is obligated to levy a debt service tax in an amount sufficient to make such payments. The Town will pay the rebate to the District on February 28th of the year following the year in which the taxes were levied and every 90 days thereafter until the full rebate for that tax year has been paid. The Town shall withhold 2% of the rebate for each tax year, after deducting the cost of tax collection, to be deposited into a sinking fund. All funds remaining in the sinking fund at the conclusion of the Agreement shall be paid the District with the final rebate payment. During the year ended April 30, 2022, the District accrued \$1,481,015, of which \$132,524 was receivable at that date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition to the rebate, the Town shall collect a capital recovery fee of \$2,500 for each permitted single family home. The Town shall retain a portion of each capital recovery fee collected by the Town on the first 1,500 single family homes as follows: \$1,250 per home on the first 500 single family homes, \$1,000 per home on the next 500 single family homes and \$750 per home on the next 500 single family homes. During the year ended April 30, 2022, the District accrued \$998,000 for capital recovery fees.

Service Contract with Mustang Special Utility District

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 629,000	\$ 629,000	\$ 782,892	\$ 153,892
Capital recovery fees, Note 9	519,250	519,250	998,000	478,750
Interest on deposits	<u>300</u>	<u>300</u>	<u>160</u>	<u>(140)</u>
TOTAL REVENUES	<u>1,148,550</u>	<u>1,148,550</u>	<u>1,781,052</u>	<u>632,502</u>
EXPENDITURES				
Service operations:				
Professional fees	61,500	61,500	74,443	12,943
Contracted services	38,200	38,200	49,339	11,139
Utilities - electricity	24,000	24,000	34,948	10,948
Utilities - water and sewer	22,100	22,100	15,868	(6,232)
Repairs and maintenance	895,697	895,697	1,067,815	172,118
Administrative expenditures	29,745	29,745	19,890	(9,855)
Capital outlay	<u>0</u>	<u>0</u>	<u>322,167</u>	<u>322,167</u>
TOTAL EXPENDITURES	<u>1,071,242</u>	<u>1,071,242</u>	<u>1,584,470</u>	<u>513,228</u>
EXCESS REVENUES (EXPENDITURES)	77,308	77,308	196,582	119,274
FUND BALANCE, BEGINNING OF YEAR	<u>649,782</u>	<u>649,782</u>	<u>649,782</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 727,090</u>	<u>\$ 727,090</u>	<u>\$ 846,364</u>	<u>\$ 119,274</u>

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

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2022

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2022

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

- | | | |
|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service
(other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

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

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

b. Water and Wastewater Retail Connections:

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

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

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

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

Does the District have Debt Service standby fees? Yes No

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

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

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

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 8,500	\$	\$	\$ 8,500
Legal	46,771	2,993		49,764
Engineering	19,172		12,115	31,287
	<u>74,443</u>	<u>2,993</u>	<u>12,115</u>	<u>89,551</u>
Contracted services:				
Bookkeeping	11,387			11,387
Management fees	30,972			30,972
Grant consultant	6,980			6,980
Tax assessor-collector		1,643		1,643
Appraisal district		12,991		12,991
	<u>49,339</u>	<u>14,634</u>	<u>0</u>	<u>63,973</u>
Utilities - electricity	<u>34,948</u>	<u>0</u>	<u>0</u>	<u>34,948</u>
Utilities - water and sewer	<u>15,868</u>	<u>0</u>	<u>0</u>	<u>15,868</u>
Repairs and maintenance	<u>1,067,815</u>	<u>0</u>	<u>0</u>	<u>1,067,815</u>
Administrative expenditures:				
Director's fees	3,300			3,300
Insurance	13,738			13,738
Other	2,852	300	670	3,822
	<u>19,890</u>	<u>300</u>	<u>670</u>	<u>20,860</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>322,167</u>	<u>0</u>	<u>14,088,327</u>	<u>14,410,494</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>990,952</u>	<u>990,952</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,395,000</u>	<u>0</u>	<u>1,395,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>1,192,756</u>	<u>1,192,756</u>
Interest and fees:				
Interest		1,595,375		1,595,375
Paying agent fees		2,735		2,735
	<u>0</u>	<u>1,598,110</u>	<u>0</u>	<u>1,598,110</u>
TOTAL EXPENDITURES	<u>\$ 1,584,470</u>	<u>\$ 3,011,037</u>	<u>\$ 16,284,820</u>	<u>\$ 20,880,327</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues excluding maintenance taxes	\$ 160	\$ 2,029,341	\$ 187	\$ 2,029,688
Maintenance tax receipts		782,892		782,892
Transfer of maintenance taxes	786,205			786,205
Proceeds from sale of Bonds		282,322	17,953,074	18,235,396
Proceeds from Bond Anticipation Note			5,678,000	5,678,000
Capital recovery fees received	998,000			998,000
Rebate payments from Town of Little Elm		1,411,333		1,411,333
Receipt of interfund receivable		<u>1,783</u>	<u>1,547</u>	<u>3,330</u>
TOTAL DEPOSITS PROVIDED	<u>1,784,365</u>	<u>4,507,671</u>	<u>23,632,808</u>	<u>29,924,844</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	1,068,369	19,070	13,270	1,100,709
Capital outlay	322,167		15,045,740	15,367,907
Debt service		2,993,110	1,192,756	4,185,866
Prepaid expenditures	43,075			43,075
Town of Little Elm			275,885	275,885
Other fund			43,285	43,285
Payment of interfund payable	1,783	1,547		3,330
Transfer of maintenance taxes		786,205		786,205
Payment of Bond Anticipation Note			<u>6,338,000</u>	<u>6,338,000</u>
TOTAL DEPOSITS APPLIED	<u>1,435,394</u>	<u>3,799,932</u>	<u>22,908,936</u>	<u>28,144,262</u>
INCREASE (DECREASE) IN DEPOSITS	348,971	707,739	723,872	1,780,582
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>597,778</u>	<u>1,592,634</u>	<u>69,871</u>	<u>2,260,283</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 946,749</u>	<u>\$ 2,300,373</u>	<u>\$ 793,743</u>	<u>\$ 4,040,865</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1SCHEDULE OF CERTIFICATES OF DEPOSITFOR THE YEAR ENDED APRIL 30, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
DEBT SERVICE FUND				
Certificate of Deposit				
No. 3216000670	0.20%	5/20/22	\$ <u>245,000</u>	\$ <u>212</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2022

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 18,813	\$ 44,575
Additions and corrections to prior year taxes	<u>34,349</u>	<u>80,289</u>
Adjusted receivable, beginning of year	53,162	124,864
2021 ADJUSTED TAX ROLL	<u>744,113</u>	<u>1,914,167</u>
Total to be accounted for	797,275	2,039,031
Tax collections: Current tax year	(734,420)	(1,889,232)
Prior tax years	<u>(48,472)</u>	<u>(114,940)</u>
RECEIVABLE, END OF YEAR	<u>\$ 14,383</u>	<u>\$ 34,859</u>
RECEIVABLE, BY TAX YEAR		
2018	\$ 1,437	\$ 1,853
2019	998	2,317
2020	2,255	5,754
2021	<u>9,693</u>	<u>24,935</u>
RECEIVABLE, END OF YEAR	<u>\$ 14,383</u>	<u>\$ 34,859</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 188,757,604	\$ 148,805,738	\$ 140,713,518	\$ 97,765,022
Improvements	344,817,931	212,383,768	140,126,478	96,042,655
Personal property	201,764	178,466	185,539	202,588
Less exemptions	<u>(20,595,871)</u>	<u>(16,451,425)</u>	<u>(11,823,609)</u>	<u>(23,945,966)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 513,181,428</u>	<u>\$ 344,916,547</u>	<u>\$ 269,201,926</u>	<u>\$ 170,064,299</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.37300	\$ 0.37000	\$ 0.36000	\$ 0.29000
Maintenance tax rates*	<u>0.14500</u>	<u>0.14500</u>	<u>0.15500</u>	<u>0.22500</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.51800</u>	<u>\$ 0.51500</u>	<u>\$ 0.51500</u>	<u>\$ 0.51500</u>
TAX ROLLS	<u>\$ 2,658,280</u>	<u>\$ 1,680,924</u>	<u>\$ 1,388,987</u>	<u>\$ 877,255</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.7 %</u>	<u>99.5 %</u>	<u>99.8 %</u>	<u>99.6 %</u>

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

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2016 Road</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 195,000	\$ 188,196	\$ 383,196
2024	200,000	183,516	383,516
2025	210,000	178,516	388,516
2026	220,000	172,742	392,742
2027	225,000	166,142	391,142
2028	235,000	159,392	394,392
2029	245,000	152,342	397,342
2030	255,000	144,992	399,992
2031	265,000	137,086	402,086
2032	275,000	128,606	403,606
2033	285,000	119,324	404,324
2034	295,000	109,706	404,706
2035	305,000	99,750	404,750
2036	315,000	89,456	404,456
2037	330,000	78,432	408,432
2038	340,000	66,882	406,882
2039	355,000	54,556	409,556
2040	370,000	41,688	411,688
2041	385,000	28,274	413,274
2042	395,000	14,318	409,318
TOTALS	<u>\$ 5,700,000</u>	<u>\$ 2,313,916</u>	<u>\$ 8,013,916</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2017 Utility</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 95,000	\$ 98,105	\$ 193,105
2024	100,000	95,825	195,825
2025	105,000	93,225	198,225
2026	110,000	90,285	200,285
2027	110,000	86,985	196,985
2028	115,000	83,575	198,575
2029	120,000	79,895	199,895
2030	125,000	75,995	200,995
2031	130,000	71,776	201,776
2032	135,000	67,356	202,356
2033	140,000	62,632	202,632
2034	145,000	57,556	202,556
2035	150,000	52,300	202,300
2036	155,000	46,862	201,862
2037	160,000	41,050	201,050
2038	170,000	35,050	205,050
2039	175,000	28,675	203,675
2040	180,000	21,894	201,894
2041	190,000	14,919	204,919
2042	195,000	7,556	202,556
TOTALS	<u>\$ 2,805,000</u>	<u>\$ 1,211,516</u>	<u>\$ 4,016,516</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2017 Road</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 100,000	\$ 106,194	\$ 206,194
2024	105,000	103,194	208,194
2025	110,000	100,044	210,044
2026	115,000	96,744	211,744
2027	120,000	93,294	213,294
2028	125,000	89,694	214,694
2029	130,000	85,788	215,788
2030	135,000	81,562	216,562
2031	135,000	77,006	212,006
2032	140,000	72,281	212,281
2033	150,000	67,381	217,381
2034	155,000	62,131	217,131
2035	160,000	56,512	216,512
2036	165,000	50,512	215,512
2037	170,000	44,325	214,325
2038	180,000	37,950	217,950
2039	185,000	31,200	216,200
2040	190,000	23,800	213,800
2041	200,000	16,200	216,200
2042	205,000	8,200	213,200
TOTALS	<u>\$ 2,975,000</u>	<u>\$ 1,304,012</u>	<u>\$ 4,279,012</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Series 2018 Utility			
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2023	\$ 195,000	\$ 232,475	\$ 427,475
2024	200,000	221,750	421,750
2025	210,000	210,750	420,750
2026	220,000	199,200	419,200
2027	230,000	188,750	418,750
2028	235,000	181,850	416,850
2029	245,000	174,800	419,800
2030	255,000	167,450	422,450
2031	265,000	159,800	424,800
2032	280,000	151,519	431,519
2033	290,000	142,418	432,418
2034	300,000	132,631	432,631
2035	315,000	122,131	437,131
2036	325,000	111,106	436,106
2037	340,000	99,731	439,731
2038	355,000	87,406	442,406
2039	370,000	74,538	444,538
2040	385,000	61,125	446,125
2041	400,000	46,688	446,688
2042	415,000	31,688	446,688
2043	430,000	16,125	446,125
TOTALS	\$ 6,260,000	\$ 2,813,931	\$ 9,073,931

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Series 2018 Road			
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2023	\$ 125,000	\$ 163,037	\$ 288,037
2024	130,000	156,787	286,787
2025	125,000	150,287	275,287
2026	125,000	144,037	269,037
2027	135,000	137,788	272,788
2028	135,000	131,038	266,038
2029	135,000	124,288	259,288
2030	140,000	117,537	257,537
2031	150,000	111,938	261,938
2032	155,000	105,938	260,938
2033	155,000	99,738	254,738
2034	160,000	93,538	253,538
2035	170,000	87,138	257,138
2036	180,000	80,125	260,125
2037	185,000	72,700	257,700
2038	190,000	65,068	255,068
2039	200,000	57,231	257,231
2040	210,000	48,981	258,981
2041	215,000	40,318	255,318
2042	230,000	31,450	261,450
2043	250,000	21,675	271,675
2044	260,000	11,050	271,050
TOTALS	<u>\$ 3,760,000</u>	<u>\$ 2,051,687</u>	<u>\$ 5,811,687</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2019 Utility</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 185,000	\$ 138,607	\$ 323,607
2024	195,000	130,282	325,282
2025	200,000	121,506	321,506
2026	205,000	112,506	317,506
2027	210,000	106,357	316,357
2028	215,000	102,156	317,156
2029	220,000	97,856	317,856
2030	220,000	93,456	313,456
2031	225,000	89,056	314,056
2032	225,000	84,276	309,276
2033	230,000	79,212	309,212
2034	235,000	74,038	309,038
2035	240,000	68,750	308,750
2036	250,000	63,050	313,050
2037	250,000	57,112	307,112
2038	255,000	50,862	305,862
2039	260,000	44,488	304,488
2040	270,000	37,988	307,988
2041	270,000	31,236	301,236
2042	285,000	24,150	309,150
2043	305,000	16,668	321,668
2044	<u>315,000</u>	<u>8,662</u>	<u>323,662</u>
TOTALS	<u>\$ 5,265,000</u>	<u>\$ 1,632,274</u>	<u>\$ 6,897,274</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2019 Road</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 125,000	\$ 95,369	\$ 220,369
2024	130,000	90,369	220,369
2025	130,000	85,169	215,169
2026	135,000	82,569	217,569
2027	140,000	79,869	219,869
2028	145,000	77,068	222,068
2029	150,000	74,168	224,168
2030	150,000	71,168	221,168
2031	155,000	68,168	223,168
2032	160,000	64,876	224,876
2033	165,000	61,276	226,276
2034	170,000	57,356	227,356
2035	175,000	53,318	228,318
2036	180,000	48,944	228,944
2037	185,000	44,218	229,218
2038	190,000	39,362	229,362
2039	195,000	34,376	229,376
2040	200,000	29,012	229,012
2041	205,000	23,512	228,512
2042	210,000	17,876	227,876
2043	215,000	12,100	227,100
2044	<u>225,000</u>	<u>6,188</u>	<u>231,188</u>
TOTALS	<u>\$ 3,735,000</u>	<u>\$ 1,216,331</u>	<u>\$ 4,951,331</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Series 2020 Utility			
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2023	\$ 285,000	\$ 198,138	\$ 483,138
2024	295,000	185,670	480,670
2025	300,000	172,764	472,764
2026	310,000	159,638	469,638
2027	315,000	148,014	463,014
2028	325,000	141,714	466,714
2029	330,000	135,212	465,212
2030	340,000	128,614	468,614
2031	350,000	121,812	471,812
2032	360,000	114,812	474,812
2033	365,000	107,614	472,614
2034	375,000	100,312	475,312
2035	385,000	92,812	477,812
2036	395,000	85,112	480,112
2037	405,000	77,212	482,212
2038	415,000	69,112	484,112
2039	425,000	60,812	485,812
2040	435,000	52,312	487,312
2041	450,000	44,156	494,156
2042	460,000	35,718	495,718
2043	470,000	27,094	497,094
2044	480,000	18,282	498,282
2045	495,000	9,282	504,282
TOTALS	<u>\$ 8,765,000</u>	<u>\$ 2,286,218</u>	<u>\$ 11,051,218</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

<u>Series 2020 Road</u>			
<u>Due During Fiscal Years Ending April 30</u>	<u>Principal Due May 1</u>	<u>Interest Due May 1, November 1</u>	<u>Total</u>
2023	\$ 130,000	\$ 85,982	\$ 215,982
2024	135,000	82,082	217,082
2025	140,000	78,032	218,032
2026	145,000	75,232	220,232
2027	145,000	72,332	217,332
2028	150,000	69,432	219,432
2029	155,000	66,432	221,432
2030	160,000	63,332	223,332
2031	160,000	60,132	220,132
2032	165,000	56,932	221,932
2033	170,000	53,632	223,632
2034	175,000	50,232	225,232
2035	180,000	46,732	226,732
2036	185,000	43,132	228,132
2037	190,000	39,432	229,432
2038	195,000	35,632	230,632
2039	200,000	31,732	231,732
2040	205,000	27,732	232,732
2041	210,000	23,376	233,376
2042	215,000	18,912	233,912
2043	220,000	14,344	234,344
2044	225,000	9,668	234,668
2045	230,000	4,888	234,888
TOTALS	<u>\$ 4,085,000</u>	<u>\$ 1,109,364</u>	<u>\$ 5,194,364</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Series 2021 Utility			
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2023	\$ 345,000	\$ 241,081	\$ 586,081
2024	350,000	234,181	584,181
2025	360,000	227,181	587,181
2026	370,000	219,981	589,981
2027	380,000	212,581	592,581
2028	390,000	204,981	594,981
2029	400,000	197,181	597,181
2030	410,000	189,181	599,181
2031	420,000	180,981	600,981
2032	430,000	172,581	602,581
2033	440,000	163,981	603,981
2034	450,000	155,181	605,181
2035	465,000	146,181	611,181
2036	475,000	136,881	611,881
2037	485,000	127,381	612,381
2038	500,000	117,075	617,075
2039	510,000	106,450	616,450
2040	525,000	94,976	619,976
2041	535,000	83,162	618,162
2042	550,000	71,126	621,126
2043	565,000	58,750	623,750
2044	580,000	44,626	624,626
2045	595,000	30,126	625,126
2046	610,000	15,250	625,250
TOTALS	\$ 11,140,000	\$ 3,431,056	\$ 14,571,056

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Series 2021 Road			
Due During Fiscal Years Ending April 30	Principal Due May 1	Interest Due May 1, November 1	Total
2023	\$ 230,000	\$ 161,781	\$ 391,781
2024	240,000	157,181	397,181
2025	245,000	152,381	397,381
2026	250,000	147,481	397,481
2027	255,000	142,481	397,481
2028	265,000	137,381	402,381
2029	270,000	132,081	402,081
2030	275,000	126,681	401,681
2031	285,000	121,181	406,181
2032	290,000	115,481	405,481
2033	295,000	109,681	404,681
2034	305,000	103,781	408,781
2035	315,000	97,681	412,681
2036	320,000	91,381	411,381
2037	330,000	84,981	414,981
2038	335,000	77,969	412,969
2039	345,000	70,850	415,850
2040	355,000	63,088	418,088
2041	365,000	55,100	420,100
2042	375,000	46,431	421,431
2043	380,000	37,526	417,526
2044	390,000	28,500	418,500
2045	400,000	19,238	419,238
2046	410,000	9,738	419,738
TOTALS	\$ 7,525,000	\$ 2,290,055	\$ 9,815,055

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

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

Annual Requirements for All Series			
Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total
2023	\$ 2,010,000	\$ 1,708,965	\$ 3,718,965
2024	2,080,000	1,640,837	3,720,837
2025	2,135,000	1,569,855	3,704,855
2026	2,205,000	1,500,415	3,705,415
2027	2,265,000	1,434,593	3,699,593
2028	2,335,000	1,378,281	3,713,281
2029	2,400,000	1,320,043	3,720,043
2030	2,465,000	1,259,968	3,724,968
2031	2,540,000	1,198,936	3,738,936
2032	2,615,000	1,134,658	3,749,658
2033	2,685,000	1,066,889	3,751,889
2034	2,765,000	996,462	3,761,462
2035	2,860,000	923,305	3,783,305
2036	2,945,000	846,561	3,791,561
2037	3,030,000	766,574	3,796,574
2038	3,125,000	682,368	3,807,368
2039	3,220,000	594,908	3,814,908
2040	3,325,000	502,596	3,827,596
2041	3,425,000	406,941	3,831,941
2042	3,535,000	307,425	3,842,425
2043	2,835,000	204,282	3,039,282
2044	2,475,000	126,976	2,601,976
2045	1,720,000	63,534	1,783,534
2046	1,020,000	24,988	1,044,988
TOTALS	<u>\$ 62,015,000</u>	<u>\$ 21,660,360</u>	<u>\$ 83,675,360</u>

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED APRIL 30, 2022

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2016 Road	2017 Utility	2017 Road	2018 Utility
Interest Rate:	2.20% to 3.625%	2.20% to 3.875%	3.00% to 4.00%	3.00% to 5.50%
Dates Interest Payable:	May 1/ November 1	May 1/ November 1	May 1/ November 1	May 1/ November 1
Maturity Dates:	May 1, 2023/2042	May 1, 2023/2042	May 1, 2023/2042	May 1, 2023/2043
Bonds Outstanding at Beginning of Current Year	\$ 5,890,000	\$ 2,900,000	\$ 3,075,000	\$ 6,445,000
Less Retirements	<u>(190,000)</u>	<u>(95,000)</u>	<u>(100,000)</u>	<u>(185,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,700,000</u>	<u>\$ 2,805,000</u>	<u>\$ 2,975,000</u>	<u>\$ 6,260,000</u>
Current Year Interest Paid	<u>\$ 192,376</u>	<u>\$ 100,195</u>	<u>\$ 109,194</u>	<u>\$ 242,650</u>

Bond Descriptions and Original Amount of Issue

- (1) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2016 (\$6,415,000)
- (2) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2017 (\$3,160,000)
- (3) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2017 (\$3,350,000)
- (4) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2018 (\$6,800,000)

Paying Agent/Registrar

- (1) (2) (3) Amegy Bank, a division of ZB, N.A., Plano, Texas
- (4) ZB, National Association, dba Amegy Bank, Houston, Texas

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>
Bond Series:	2018 Road	2019 Utility	2019 Road	2020 Utility
Interest Rate:	4.00% to 5.00%	2.00% to 4.50%	2.00% to 4.00%	1.875% to 4.375%
Dates Interest Payable:	May 1/ November 1	May 1/ November 1	May 1/ November 1	May 1/ November 1
Maturity Dates:	May 1, 2023/2044	May 1, 2023/2044	May 1, 2023/2044	May 1, 2023/2045
Bonds Outstanding at Beginning of Current Year	\$ 3,880,000	\$ 5,440,000	\$ 3,855,000	\$ 9,045,000
Less Retirements	<u>(120,000)</u>	<u>(175,000)</u>	<u>(120,000)</u>	<u>(280,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,760,000</u>	<u>\$ 5,265,000</u>	<u>\$ 3,735,000</u>	<u>\$ 8,765,000</u>
Current Year Interest Paid	<u>\$ 169,038</u>	<u>\$ 146,482</u>	<u>\$ 100,169</u>	<u>\$ 210,388</u>

Bond Descriptions and Original Amount of Issue

- (5) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2018 (\$4,000,000)
(6) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2019 (\$5,610,000)
(7) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2019 (\$3,975,000)
(8) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2020 (\$9,045,000)

Paying Agent/Registrar

(5) (6) (7) (8) Zions Bancorporation, National Association, Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds*</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 188,275,000	\$ 0	\$ 282,412,500
Amount Issued:	65,235,000		0
Remaining to be Issued:	123,040,000		282,412,500

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

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

	<u>(9)</u>	<u>(10)</u>	<u>(11)</u>	<u>Totals</u>
Bond Series:	2020 Road	2021 Utility	2021 Road	
Interest Rate:	2.00% to 3.00%	2.00% to 2.50%	2.00% to 2.375%	
Dates Interest Payable:	May 1/ November 1	May 1/ November 1	May 1/ November 1	
Maturity Dates:	May 1, 2023/2045	May 1, 2023/2046	May 1, 2023/2046	
Bonds Outstanding at Beginning of Current Year	\$ 4,215,000	\$ 0	\$ 0	\$ 44,745,000
Add Bonds Sold		11,140,000	7,525,000	18,665,000
Less Retirements	<u>(130,000)</u>	<u>0</u>	<u>0</u>	<u>(1,395,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,085,000</u>	<u>\$ 11,140,000</u>	<u>\$ 7,525,000</u>	<u>\$ 62,015,000</u>
Current Year Interest Paid	<u>\$ 89,880</u>	<u>\$ 140,631</u>	<u>\$ 94,372</u>	<u>\$ 1,595,375</u>

Bond Descriptions and Original Amount of Issue

- (9) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2020 (\$4,215,000)
(10) Highway 380 Municipal Management District No. 1 Unlimited Tax Utility Bonds, Series 2021 (\$11,140,000)
(11) Highway 380 Municipal Management District No. 1 Unlimited Tax Road Bonds, Series 2021 (\$7,525,000)

Paying Agent/Registrar

- (9) (10) (11) Zions Bancorporation, National Association, Houston, Texas

Net Debt Service Fund deposits and investments balances as of April 30, 2022:	\$2,428,805
Average annual debt service payment for remaining term of all debt:	3,486,473

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 782,892	\$ 468,887	\$ 432,068	\$ 397,118	\$ 175,214	44.0 %	46.9 %	45.3 %	52.6 %	60.0 %
Payments from Town of Little Elm	0	0	0	0	1,071	0.0	0.0	0.0	0.0	0.4
Capital recovery fees	998,000	531,500	519,500	355,750	115,000	56.0	53.1	54.5	47.2	39.4
Interest on deposits	160	322	2,121	1,483	659	0.0	0.0	0.2	0.2	0.2
TOTAL REVENUES	1,781,052	1,000,709	953,689	754,351	291,944	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	74,443	61,660	61,354	56,672	44,688	4.2	6.2	6.4	7.5	15.4
Contracted services	49,339	51,292	35,386	32,174	29,487	2.8	5.1	3.7	4.3	10.1
Utilities - electricity	34,948	24,264	26,091	19,910	4,154	2.0	2.4	2.7	2.6	1.4
Utilities - water and sewer	15,868	18,355	16,234	9,455	8,544	0.9	1.8	1.7	1.3	2.9
Repairs and maintenance	1,067,815	799,297	603,820	414,345	296,320	59.9	80.0	63.4	54.9	101.5
Administrative expenditures	19,890	19,439	17,067	18,398	14,922	1.1	1.9	1.8	2.4	5.1
Capital outlay	322,167	0	0	0	0	18.1	0.0	0.0	0.0	0.0
TOTAL EXPENDITURES	1,584,470	974,307	759,952	550,954	398,115	89.0	97.4	79.7	73.0	136.4
EXCESS REVENUES (EXPENDITURES)	\$ 196,582	\$ 26,402	\$ 193,737	\$ 203,397	\$ (106,171)	11.0 %	2.6 %	20.3 %	27.0 %	(36.4) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES										
Property taxes	\$ 2,004,172	\$ 1,183,494	\$ 965,274	\$ 493,942	\$ 318,074	57.1 %	54.1 %	48.5 %	48.5 %	52.1 %
Payments from Town of Little Elm	1,481,015	977,678	778,473	493,936	283,763	42.2	44.8	48.5	48.5	46.4
Penalty and interest	10,339	7,764	4,537	2,063	571	0.3	0.4	0.2	0.2	0.1
Accrued interest on bonds received at date of sale	14,548	11,677	17,993	13,117	6,728	0.4	0.5	1.3	1.3	1.1
Interest on deposits	219	3,689	18,644	15,012	1,973	0.0	0.2	1.5	1.5	0.3
TOTAL REVENUES	<u>3,510,293</u>	<u>2,184,302</u>	<u>1,784,921</u>	<u>1,018,070</u>	<u>611,109</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	2,993	2,013	0	0	0	0.1	0.1	0.0	0.0	0.0
Contracted services	14,634	11,135	6,803	4,573	2,381	0.4	0.5	0.4	0.4	0.4
Other expenditures	300	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Debt service:										
Principal retirement	1,395,000	955,000	525,000	345,000	0	39.8	43.7	33.9	33.9	0.0
Interest and fees	1,598,110	1,299,767	1,029,936	653,753	335,344	45.5	59.5	64.3	64.3	54.9
TOTAL EXPENDITURES	<u>3,011,037</u>	<u>2,267,915</u>	<u>1,561,739</u>	<u>1,003,326</u>	<u>337,725</u>	<u>85.8</u>	<u>103.8</u>	<u>98.6</u>	<u>98.6</u>	<u>55.3</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 499,256</u>	<u>\$ (83,613)</u>	<u>\$ 223,182</u>	<u>\$ 14,744</u>	<u>\$ 273,384</u>	<u>14.2 %</u>	<u>(3.8) %</u>	<u>1.4 %</u>	<u>1.4 %</u>	<u>44.7 %</u>

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2022

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

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: June 1, 2021

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Philip Morgan c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/19- 5/31/23	\$ 900	\$ 0	President
Angelica Huckelberry c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/21- 5/31/25	1,050	0	Vice President
Doug Peach c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/19- 5/31/23	0	0	Secretary
Teague Griffin c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/21- 5/31/25	150	0	Assistant Secretary
Danielle Androes c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	Appointed 6/01/21- 5/31/25	1,200	0	Assistant Secretary

See accompanying independent auditor's report.

HIGHWAY 380 MUNICIPAL MANAGEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2022

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254	5/7/14	\$ 46,771 522,959 Bonds	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	5/7/14	11,387 2,100 Bonds	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	8/4/14	0	Investment Officer
Kimley-Horn & Associates, Inc. 5750 Genesis Court Frisco, Texas 75034	4/13/17	26,787 83,700 Bonds	Engineer
First Service Residential Texas, Inc. 3102 Oak Lawn Avenue, Suite 202 Dallas, Texas 75219	2/1/15	30,972	Management Consultant
Denton County Tax Assessor-Collector P.O. Box 90223 Denton, Texas 76202	9/10/15	1,643	Tax Assessor- Collector
Denton Central Appraisal District P.O. Box 2816 Denton, Texas 76202	Legislative Action	12,991	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	1/8/15	432,753 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	7/14/16	8,500 18,600 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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