

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## PRELIMINARY OFFICIAL STATEMENT

Dated April 17, 2019

Rating:  
Fitch: "AA+"  
(See "RATING" herein)

### NEW ISSUE – Book-Entry-Only

Delivery of the Bonds is subject to the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS."

THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS  
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**\$3,535,000\***

### AVERY RANCH ROAD DISTRICT NO. 1

*(A political subdivision of the State of Texas located within Williamson County)*

### UNLIMITED TAX REFUNDING BONDS, SERIES 2019

**Dated: May 23, 2019**

**Due: August 15, as shown on the inside cover page**

**Interest Accrues from the Date of Initial Delivery (defined below)**

**PAYMENT TERMS** . . . The \$3,535,000\* Avery Ranch Road District No. 1 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds") will be dated May 23, 2019 (the "Dated Date"). Interest on the Bonds will accrue from the Date of Initial Delivery, (defined below), and will be payable on August 15, 2019 and on each February 15 and August 15 thereafter until maturity. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds, when issued, will constitute valid and legally binding obligations of Avery Ranch Road District No. 1 (the "District") and will be payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are not obligations of the State of Texas, Williamson County or any entity other than the District.

The District intends to utilize the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas, (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**PURPOSE** . . . The Bonds are being issued to achieve a debt service savings by currently refunding a portion of the District's outstanding bonds as described in SCHEDULE I attached hereto (the "Refunded Bonds") and to pay the costs associated with the issuance of the Bonds. See "THE BONDS – AUTHORIZATION AND PURPOSE."

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**CUSIP PREFIX: 05364R**  
**MATURITY SCHEDULE**  
**See Inside Cover Page**

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**REDEMPTION** . . . The Bonds are not subject to redemption prior to their stated maturities (see "THE BONDS – NO REDEMPTION").

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

**LEGALITY** . . . The Bonds are offered, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on May 23, 2019 (the "Date of Initial Delivery").

**RAYMOND JAMES**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

| <u>8/15<br/>Maturity</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Initial<br/>Yield<sup>(a)</sup></u> | <u>CUSIP<br/>Numbers<sup>(b)</sup></u> |
|--------------------------|-----------------------------|--------------------------|--|--|
| 2021                     | \$ 590,000                  |                          |  |  |
| 2022                     | 605,000                     |                          |  |  |
| 2023                     | 905,000                     |                          |  |  |
| 2024                     | 725,000                     |                          |  |  |
| 2025                     | 710,000                     |                          |  |  |

**(Interest accrues from the Date of Initial Delivery)**

\*Preliminary, subject to change.

- (a) The initial yield represents the initial offering yield to the public, which will be determined by the Underwriter and may subsequently be changed by the Underwriter without notice to the District and is the sole responsibility of the Underwriter.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, and as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds. None of the District, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document constitutes a preliminary official statement of the District with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

None of the District, the Financial Advisor or the Underwriter make any representation regarding the information contained in this Official Statement regarding DTC or its book-entry-only system. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement pursuant to its responsibility to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE 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. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Any references to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by more detailed information appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

### THE BONDS

|   |   |
|---|---|
| <i>Description</i> .....                      | Avery Ranch Road District No. 1 Unlimited Tax Refunding Bonds, Series 2019, in the aggregate principal amount of \$3,535,000* maturing as serial bonds on August 15 in the years 2021 through and including 2025 in the principal amounts set forth on the inside cover page. See “THE BONDS – DESCRIPTION.”  |
| <i>Redemption</i> .....                       | The Bonds are not subject to redemption prior to their stated maturities. See “THE BONDS – NO REDEMPTION.”  |
| <i>Use of Proceeds</i> .....                  | Proceeds of the Bonds will be used to achieve a debt service savings by currently refunding outstanding bonds of the District and to pay for costs associated with the issuance of the Bonds. See “THE BONDS – AUTHORIZATION AND PURPOSE” and “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”  |
| <i>Authority for Issuance</i> .....           | The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, as amended and Chapter 257, Texas Transportation Code, as amended, an order (the “Order”) adopted by the Commissioners’ Court of Williamson County, Texas, acting as the governing body of the District, and a pricing certificate to be executed by the pricing officer as designated in the Order. See “INVESTMENT CONSIDERATIONS – FUTURE DEBT,” and “THE BONDS – AUTHORIZATION AND PURPOSE,” and “– ISSUANCE OF ADDITIONAL DEBT.” |
| <i>Source and Security for Payment</i> .....  | Principal of and interest on the Bonds are payable solely from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are not secured by any other source. The Bonds are not obligations of Williamson County, the State of Texas or any entity other than the District. See “THE BONDS – SOURCE OF PAYMENT.”   |
| <i>Qualified Tax-Exempt Obligations</i> ..... | The District expects to designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations, including the Bonds, is not reasonably expected to exceed \$10,000,000 and that it has not designated more than \$10,000,000 of qualified tax exempt obligations (including the Bonds) during calendar year 2019. See “TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.”  |
| <i>Bond Counsel</i> .....                     | McCall, Parkhurst & Horton L.L.P., Austin, Texas.   |
| <i>Financial Advisor</i> .....                | Specialized Public Finance Inc., Austin, Texas.   |
| <i>Paying Agent/Registrar</i> .....           | BOKF, NA, Dallas, Texas.  |
| <i>Investment Considerations</i> .....        | THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”   |

\*Preliminary, subject to change.

**THE DISTRICT**

- Description* ..... The District was created on February 27, 2001 by order of the Williamson County Commissioners Court (the “Commissioners Court”) and confirmed by the District’s sole voter on May 5, 2001. The District is currently comprised of approximately 1,800 acres of land. See “THE DISTRICT.”
- Location* ..... The District is entirely within Williamson County, Texas (the “County”). Parmer Lane bisects the District north-south, and the Avery Ranch Boulevard financed or refinanced with the proceeds of the District’s outstanding bonds, bisects the District east-west. The District includes a master planned community known as Avery Ranch and is generally located approximately 17 miles north of Austin’s central business district, directly southeast of the City of Cedar Park, and approximately 3 miles west of the City of Round Rock. The District is generally bounded by Brushy Creek Road to the north, the City of Cedar Park and U.S. Highway 183 to the west, other residential development and other land to the south, and the Fern Bluff Municipal Utility District and single-family residential development to the east. See “THE DISTRICT.”
- The District* ..... On May 5, 2001, the sole voter in the District approved (1) the formation of the District; (2) \$17,000,000 aggregate principal amount of unlimited tax new money bonds and \$25,500,000 in unlimited tax refunding bonds for the District; and (3) the levy of an unlimited ad valorem tax upon all taxable property located within the District to pay such bonds. The District has issued all of the \$17,000,000 new money bonds and used \$632,127 of refunding bonds to date authorized at such election. The Bonds are secured solely by an unlimited ad valorem tax levied upon all taxable property located within the District. See “THE DISTRICT,” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT – ESTIMATED OVERLAPPING TAXES.”
- The District is comprised of approximately 1,800 acres of the master planned community known as Avery Ranch, which is a fully developed single-family, multi-family and commercial development. The District is located within the corporate limits of the City of Austin. Approximately 605 acres within the District lie within the Round Rock Independent School District, and approximately 942 acres lie within the Leander Independent School District. See “THE DISTRICT – GENERAL DESCRIPTION.”
- Development Within the District* ..... The District is essentially fully developed and contains the following as of March 15, 2019:
- |  |       |
|--|-------|
| Estimated Completed and Occupied Homes | 3,636 |
| Percentage of the District Developed   | 100%  |
- See “THE DISTRICT.”
- Payment Record* ..... The District has not defaulted on any outstanding bonds.
- Overlapping District Taxes* ..... For the 2018 tax year, the District levied a debt service tax rate of \$0.0810 per \$100 of assessed valuation on all taxable property located within the District. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT – ESTIMATED OVERLAPPING TAXES.”

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**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

|  |                   |     |
|--|-------------------|-----|
| 2015 Certified Taxable Assessed Valuation of the District .....                          | \$ 1,255,186,079  | (a) |
| 2016 Certified Taxable Assessed Valuation of the District .....                          | \$ 1,326,011,191  | (a) |
| 2017 Certified Taxable Assessed Valuation of the District .....                          | \$ 1,410,329,184  | (a) |
| 2018 Certified Taxable Assessed Valuation of the District .....                          | \$ 1,474,640,904  | (a) |
| 2019 Preliminary Taxable Assessed Valuation of the District (as of January 1, 2019)..... | \$ 1,580,108,518  | (a) |
|  |                   |     |
| Gross Direct Long-Term Debt Outstanding of the District.....                             | \$ 6,650,000      | (b) |
| Estimated Overlapping Debt of the District.....  | <u>84,284,692</u> | (c) |
| Gross Direct Long-Term Debt and Estimated Overlapping Debt .....                         | \$ 90,934,692     |     |
|  |                   |     |
| Ratio of Gross Direct Long-Term Debt of the District to:                                 |                   |     |
| 2018 Certified Taxable Assessed Valuation of the District .....                          | 0.45%             |     |
| 2019 Preliminary Taxable Assessed Valuation of the District (as of January 1, 2019)..... | 0.42%             |     |
|  |                   |     |
| Ratio of Gross Direct Long-Term Debt of the District and Estimated Overlapping Debt to:  |                   |     |
| 2018 Certified Taxable Assessed Valuation of the District .....                          | 6.17%             |     |
| 2019 Preliminary Taxable Assessed Valuation of the District (as of January 1, 2019)..... | 5.75%             |     |
|  |                   |     |
| Funds Available for Debt Service:  |                   |     |
| Bond Fund Balance as of 3-18-19.....   | \$ 1,464,571      |     |
|  |                   |     |
| Average Annual Debt Service Requirement (2019-2025) .....                                | \$ 1,065,377      | (b) |
| Maximum Annual Debt Service Requirement (2020).....                                      | \$ 1,249,650      | (b) |
|  |                   |     |
| 2018 District Debt Service Tax Rate .....  | \$ 0.0810         | (d) |
| Total.....   | \$ 0.0810         |     |
|  |                   |     |
| Tax Rate Required to Pay Average Annual Debt Service (2019-2025) at 99% Collection Rate  |                   |     |
| Based Upon the 2018 Certified Taxable Assessed Valuation of the District .....           | \$ 0.0730         | (b) |
| Tax Rate Required to Pay Maximum Annual Debt Service (2020) at 99% Collection Rate       |                   |     |
| Based Upon the 2018 Certified Taxable Assessed Valuation of the District .....           | \$ 0.0856         | (b) |
|  |                   |     |
| Status of Development within the District as of March 15, 2019:                          |                   |     |
| Total Estimated Completed Homes .....  | 3,636             |     |
| Percentage of the District Developed.....  | 100%              |     |
| Estimated Population .....   | 12,726            | (e) |

- (a) Per Williamson Central Appraisal District.
- (b) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT – DEBT SERVICE REQUIREMENTS.”
- (c) Excludes Leander ISD overlapping debt in order to avoid double-counting of debt.
- (d) The District is not authorized to levy a maintenance and operation tax.
- (e) Based upon 3.5 residents per occupied single-family residence.

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## PRELIMINARY OFFICIAL STATEMENT

**\$3,535,000\***

### **AVERY RANCH ROAD DISTRICT NO. 1**

*(A political subdivision of the State of Texas located within Williamson County)*

### **UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

This Official Statement provides certain information in connection with the issuance by Avery Ranch Road District No. 1 (the "District") of its \$3,535,000\* Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

This Official Statement includes descriptions, among others, of the Bonds and the Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc. (the "Financial Advisor") at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

## THE BONDS

**DESCRIPTION . . .** Avery Ranch Road District No. 1 Unlimited Tax Refunding Bonds, Series 2019 are being issued in the aggregate principal amount of \$3,535,000\* maturing as serial bonds on August 15 in the years 2021 through and including 2025 in the principal amounts set forth on the inside cover page. The Bonds will be dated May 23, 2019, and interest will accrue from the Date of Initial Delivery and will be payable on August 15, 2019 and on each February 15 and August 15 thereafter until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued pursuant to the Order, in fully registered form only, in denominations of \$5,000 of principal amounts or any integral multiple thereof and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein.

**No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

**AUTHORIZATION AND PURPOSE . . .** The Bonds are issued pursuant to the Article III, Section 52 of the Texas Constitution, general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, as amended, and Chapter 257, Transportation Code, an order (the "Order") adopted by the Commissioners' Court of Williamson County, Texas, acting as the governing body of the District, and a pricing certificate executed by the pricing officer designated in the Order. Proceeds of the Bonds will be used to achieve a debt service savings by currently refunding a portion of the District's outstanding bonds (the "Refunded Bonds") and to pay the costs associated with the issuance of the Bonds. See "SCHEDULE I – SCHEDULE OF REFUNDED BONDS" for a description of the Refunded Bonds.

**REFUNDED BONDS . . .** The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, as applicable, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, NA, Dallas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with other funds of the District, the District will deposit with the Escrow Agent the cash necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Specialized Public Finance Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency (such certification, the "Sufficiency Certificate") of the amount initially deposited to the Escrow Fund, without regard to investment, to pay the principal and interest on the Refunded Bonds, when due, at their date of redemption. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance on the Sufficiency Certificate, the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement.

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\*Preliminary, subject to change.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, are expected to be applied as follows:

|                              |    |
|------------------------------|----|
| Sources:                     |    |
| Par Amount of Bonds          | \$ |
| District Contribution        |    |
| Reoffering Premium           |    |
| Total Sources                | \$ |
| Uses:                        |    |
| Deposit to Escrow Fund       | \$ |
| Deposit to Debt Service Fund |    |
| Underwriter's Discount       |    |
| Costs of Issuance            |    |
| Total Uses                   | \$ |

**DEFEASANCE . . . General.** The Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the

Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Order and such principal and interest shall be payable solely from such money or Defeasance Securities.

Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank may at the discretion of the District also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times set forth in the Order and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Order for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Order shall be made without the consent of the registered owner of each Bond affected thereby.

*Investments.* Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District

adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. For the purposes of these provisions, “Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

**No REDEMPTION** . . . The Bonds are not subject to redemption prior to their stated maturities.

**BOOK-ENTRY-ONLY SYSTEM** . . . *This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The District, the Financial Advisor, and the Underwriter cannot and do 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 (the “SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each 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 SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit

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

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

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

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

Redemption proceeds, principal and interest 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 dates 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 in 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 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 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, physical Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District and the Underwriter believe to be reliable, but the District and the Underwriter take no responsibility for the accuracy thereof.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, its Financial Advisor or the Underwriter.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS – TRANSFER, EXCHANGE AND REGISTRATION" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**SOURCE OF PAYMENT . . .** The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. The Commissioner's Court, acting as the governing body of the District, covenants in the Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax.

The Bonds are obligations of the District secured solely by an annual ad valorem tax levied, without legal limitations as to rate or amount, on all taxable property located within the District and are not the obligations of the State of Texas; Williamson County, Texas; or any entity other than the District as described herein.

**REGISTRATION AND TRANSFER . . .** So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep a register of owners (the "Register") at a principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Order.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the designated payment/transfer office of the Paying Agent/Registrar, initially in Austin, Texas (the "Designated Payment/Transfer Office"), duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and accruing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond so delivered shall be entitled to the benefits and security of the Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the fifteen (15) day period next preceding any interest payment date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

**RECORD DATE . . .** The record date for payment of the interest on the Bonds on any regularly scheduled interest payment date is the last day of the month (whether or not a business day) preceding such interest payment date.

**REPLACEMENT OF PAYING AGENT/REGISTRAR . . .** Provisions are made in the Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, trust company or other authorized entity, which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

**LOST, STOLEN OR DESTROYED BONDS . . .** Upon the presentation and surrender to the Designated Payment/Transfer Office of the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation and an indemnity bond from the Registered Owner, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

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

**ISSUANCE OF ADDITIONAL DEBT . . .** The District does not have any authorized but unissued new money bond authorization remaining but does reserve the right to issue such additional new money debt approved by the voters and may from time to time issue refunding bonds from the remaining refunding authorization. The District does not anticipate issuing additional debt within the next twelve months.

**REMEDIES IN EVENT OF DEFAULT . . .** The Order provides that, in addition to all other rights and remedies of any Registered Owner provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Order, including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Commissioners' Court or other officers of the District to observe or perform such covenants.

The Order provides no additional remedies to a Registered Owner. Specifically, the Order does not provide for an appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

**LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. The Bonds are rated (see "RATING"). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

**SPECIFIC TAX COVENANTS . . .** In the Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed with proceeds of the Refunded Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

**AMENDMENTS TO ORDER . . .** The District may without the consent of or notice to any Registered Owner amend the Order in any manner not detrimental to the interest of the Registered Owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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\*Preliminary, subject to change.

## THE DISTRICT

**CREATION AND ABOLISHMENT OF THE DISTRICT** . . . Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code (collectively, the “Act”) allow a commissioners court of a county to establish one or more road districts in the county. A road district created pursuant to the Act is a political subdivision and a body corporate of the State of Texas. The District was created by order of the Commissioners Court on February 27, 2001, in accordance with the Act and Article III, Section 52 of the Texas Constitution. The sole voter in the District presented a petition to the Commissioners Court on February 5, 2001, asking the Court to set a public hearing to consider calling an election to determine whether the District should issue bonds to obtain permanent financing for the Avery Ranch Boulevard and whether taxes should be levied on all taxable property within the District for the payment of such bonds.

On February 27, 2001, the Commissioners Court determined that the construction of a 4-lane, approximately 1.67 mile road known as the Avery Ranch Boulevard (the “Road”) would be for the benefit of all taxable property situated in the District and ordered an election to be held within the District on May 5, 2001. At the election the voter voting at the election cast his ballot in favor of the issuance of \$17,000,000 in aggregate principal amount of unlimited tax new money bonds and \$25,500,000 unlimited tax refunding bonds.

Pursuant to the Act, the District may be abolished by order of the Commissioners Court when it has paid off and discharged the outstanding bonds of the District, or when such bonds have been assumed and exchanged for county bonds under the compensation bond statutes, and in the opinion of the Commissioners Court, the District has become dormant and there exists no further necessity for the District.

In accordance with the Act, and Article III, Section 52 of the Texas Constitution, bonded debt of the District cannot exceed one-fourth of the net taxable assessed valuation of the real property within the District. After the issuance of the Bonds, the amount of total bonded debt of the District will equal 0.45%\* of the 2018 Certified Assessed Valuation of all real property in the District.

**DISTRICT PURPOSE** . . . Pursuant to the Act and the election held within the District on May 5, 2001, the District was authorized to issue new money bonds in an amount not to exceed \$17,000,000 for the purpose of constructing, reimbursing for the costs of constructing, acquiring by purchase, maintaining and operating macadamized, graveled or paved roads and turnpikes and related bridges, drainage works and other similar facilities. The main purpose of the District is to finance and refinance the costs of the Road which is a four lane divided road with asphalt and concrete curbs. The Road runs east to west the entire length of the District and provides access throughout the District as well as connecting Parmer Lane to Ranch Road 620.

Construction of the Road was completed in late 2003. All contracts involving the construction of the Road were competitively bid in accordance with County bidding laws and were approved by the Commissioners Court. Additionally, the Road has been designed and constructed in accordance with the criteria of various regulatory agencies including the County and the City of Austin, Texas.

**DISTRICT GOVERNANCE AND SUPERVISION** . . . The policy-making and supervisory functions of the District are the responsibility of and are vested in the Commissioners Court. The Commissioners Court serve four-year staggered terms and are elected by the resident and qualified electors of their respective precincts. The County Judge serves for a four-year term and is elected by all of the resident and qualified voters of Williamson County (the “County”). Various supporting services are provided by independent consultants and advisors. The District does not have any employees.

The District is located in County Precincts No. 1 and No. 2. The Williamson Central Appraisal District assesses the value of all taxable property within the District in the same manner as it assesses property values on all other taxable property located in the County. See “TAXING PROCEDURES.”

The Tax Assessor/Collector of the County collects the taxes on the taxable property within the District in the same manner as he or she collects other taxes and when so collected the Tax Assessor/Collector pays those taxes to the County Treasurer.

The County Treasurer of the County is custodian of all taxes collected and taxes collected on behalf of the District are deposited in the County Treasury to the credit of the District in accordance with the Order. The County Treasurer promptly pays the interest and principal as it becomes due on the Bonds out of the funds collected and deposited for that purpose.

**GENERAL DESCRIPTION** . . . The District is currently comprised of approximately 1,800 acres of land. All of the District is located in the City of Austin, all within the County. Parmer Lane bisects the District north-south, and the Road bisects the District east-west. Approximately 605 acres within the District is located within the Round Rock Independent School District, and approximately 942 acres is located within the Leander Independent School District.

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\*Preliminary, subject to change.

The District includes all of the master planned community known as Avery Ranch. Avery Ranch consists of approximately 1,800 acres of land, all of which is located within the City of Austin. Avery Ranch is located approximately 17 miles north of Austin’s central business district, directly southeast of the City of Cedar Park, and 3 miles west of the City of Round Rock. The District is generally bounded by Brushy Creek Road to the north, the City of Cedar Park and U.S. Highway 183 to the west, other residential development and undeveloped land to the south, and the Fern Bluff Municipal Utility District and single-family residential development to the east.

**CONSULTANTS . . .** The District has contracted for auditing, tax assessing and collecting, engineering, financial advisory and legal services as follows:

*Tax Appraisal:* The Williamson Central Appraisal District (“Appraisal District”) has the responsibility of appraising all property within the District.

*Tax Assessor/Collector:* The Williamson County Tax Assessor and Collector collects ad valorem taxes in the District.

*Financial Advisor:* The District has engaged Specialized Public Finance Inc. as financial advisor. The fees for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

*Bond Counsel:* The District has engaged McCall, Parkhurst & Horton L.L.P. as bond counsel. The fees for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

**STATUS OF DEVELOPMENT . . .** As of March 15, 2019, the District is fully developed and utility facilities have been constructed to serve the entire District and the area served by such utility facilities within the District contained the following development:

|  |       |
|--|-------|
| Estimated Completed Homes.....         | 3,636 |
| Percentage of District Developed ..... | 100%  |

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT**

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Commissioner’s Court. Both Texas law and the County’s investment policies are subject to change.

Chapter 1471, Texas Government Code (“Chapter 1471”), provides that money remaining from the proceeds of any new money bonds issued by the District (after the portion of the proceeds that represents capitalized interest is placed in the County treasury to the credit of the District to be used to pay interest due on the Bonds and after the costs of the issuance of the Bonds are paid) shall be placed in the County treasury to the credit of the District’s available road fund to be used for the purposes for which such bonds were issued. The County Treasurer is the custodian of all taxes collected to pay principal of and interest on the Bonds. The County Treasurer is required to deposit the money collected with the County depository in the same manner as other money of the County; and promptly pay the principal of and interest on the Bonds as they become due from the money collected and deposited for that purpose. Chapter 1471 also provides that the Commissioners Court may invest money in a sinking fund accumulated for the redemption and payment of the Bonds in: (1) bonds of the United States, the State of Texas, or a county, municipality, school district, or road district of the State of Texas; (2) bonds of the federal Farm Credit System; or (3) certificates of indebtedness issued by the Secretary of the Treasury of the United States. The sinking fund accumulated for the redemption and payment of the Bonds may not be invested in bonds the terms of which provide for a maturity date after the date of maturity of the Bonds. Interest on an investment must be applied to the sinking fund associated with the investment.

Under Texas law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States

or an instrumentality of the United States; and (D) the District appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups; methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment

Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Commissioners Court detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Commissioners Court.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer, (9) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record in such rule, order, ordinance or resolution any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District..

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**FINANCIAL INFORMATION CONCERNING THE DISTRICT**

**PRO-FORMA DEBT SERVICE REQUIREMENTS**

| Fiscal<br>Year<br>Ending<br>9/30 | Outstanding Debt <sup>(a)</sup> |                   |                     | The Bonds <sup>(b)</sup> |                   |                     | Total<br>Debt Service<br>Requirements |
|----------------------------------|---------------------------------|-------------------|---------------------|--------------------------|-------------------|---------------------|---------------------------------------|
|                                  | Principal                       | Interest          | Total               | Principal                | Interest          | Total               |                                       |
|                                  | 2019                            | \$ 1,040,000      | \$ 147,600          | \$ 1,187,600             | \$ -              | \$ 29,486           |                                       |
| 2020                             | 1,070,000                       | 50,200            | 1,120,200           | -                        | 129,450           | 129,450             | 1,249,650                             |
| 2021                             | 495,000                         | 20,100            | 515,100             | 590,000                  | 129,450           | 719,450             | 1,234,550                             |
| 2022                             | 510,000                         | 10,200            | 520,200             | 605,000                  | 111,750           | 716,750             | 1,236,950                             |
| 2023                             | -                               | -                 | -                   | 905,000                  | 93,600            | 998,600             | 998,600                               |
| 2024                             | -                               | -                 | -                   | 725,000                  | 57,400            | 782,400             | 782,400                               |
| 2025                             | -                               | -                 | -                   | 710,000                  | 28,400            | 738,400             | 738,400                               |
|                                  | <u>\$ 3,115,000</u>             | <u>\$ 228,100</u> | <u>\$ 3,343,100</u> | <u>\$ 3,535,000</u>      | <u>\$ 579,536</u> | <u>\$ 4,114,536</u> | <u>\$ 7,457,636</u>                   |

(a) Excludes the Refunded Bonds. Preliminary, subject to change.

(b) Interest on the Bonds calculated at a net interest cost of 1.98% for purposes of illustration. Preliminary, subject to change.

**TAX RATE CALCULATIONS . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet the debt service requirements of the District if no growth in the District's tax base within the District occurs beyond the 2018 Assessed Valuation. The calculations assume collection of 99% of taxes levied.

|   |              |     |
|---|--------------|-----|
| Average Annual Debt Service Requirements (2019-2025).....                                     | \$ 1,065,377 | (a) |
| Tax Rate of \$0.0730 on the Certified 2018 Assessed Valuation produces (99% collections)..... | \$ 1,065,723 |     |
| Maximum Annual Debt Service Requirements (2020).....  | \$ 1,249,650 | (a) |
| Tax Rate of \$0.0856 on the Certified 2018 Assessed Valuation produces (99% collections)..... | \$ 1,249,670 |     |

(a) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

**ESTIMATED OVERLAPPING DEBT . . .** Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

| Taxing<br>Jurisdiction  | Outstanding<br>Bonds | As of   | Overlapping<br>Percent | Amount           |
|---|----------------------|---------|------------------------|------------------|
| Avery Ranch Road District No. 1 .....                             | \$ 6,650,000 (a)     | 2/28/19 | 100.00%                | \$ 6,650,000(a)  |
| Williamson County .....   | 826,249,942          | 2/28/19 | 2.69%                  | 22,226,123       |
| Leander ISD.....  | 1,032,212,533        | 2/28/19 | 3.34%                  | 34,475,899       |
| Round Rock ISD.....   | 648,305,000          | 2/28/19 | 1.52%                  | 9,854,236        |
| City of Austin .....  | 1,482,655,062        | 2/28/19 | 0.97%                  | 14,381,754       |
| Austin Community College District .....                           | 418,335,000          | 2/28/19 | 0.80%                  | <u>3,346,680</u> |
| Total Direct and Estimated Overlapping Debt.....                  |                      |         |                        | \$ 90,934,692    |
| Direct and Estimated Overlapping Debt as a Percentage of:         |                      |         |                        |                  |
| 2018 Certified Taxable Assessed Valuation <sup>(a)(b)</sup> ..... |                      |         |                        | 6.17%(a)         |

(a) Excludes the Refunded Bonds and includes the Bonds. Preliminary, subject to change.

**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 a 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, 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 an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. All the land located within the District lies within the County. The following chart includes the 2018 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

**TAXING JURISDICTION**

|  | 2018<br><u>Tax Rates</u> |
|--|--------------------------|
| Avery Ranch Road District No. 1        | \$ 0.081000              |
| City of Austin                         | 0.440300                 |
| Williamson County                      | 0.459029                 |
| Upper Brushy Creek WCID #1A            | 0.020000                 |
| Leander Independent School District    | 1.510000                 |
| Round Rock Independent School District | 1.304800                 |
| Austin Community College District      | <u>0.104800</u>          |
| Total Estimated Tax Bill               | \$ 3.919929              |

**TAX DATA**

**GENERAL . . .** All taxable property within the District is subject to the assessment, levy and collection by the Commissioner’s Court, acting as the governing body of the District, of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. The Commissioner’s Court, acting as the governing body of the District, has in the Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax sufficient to produce funds to pay the principal of and interest on the Bonds.

**DISTRICT TAX . . .** The Commissioner’s Court covenants in the Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax on all property in the District adequate to provide funds to pay the principal of and interest on the Bonds.

**PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers within the District, the estimated taxable assessed value of such property, and such property’s assessed value as a percentage of the District’s 2018 Certified Taxable Assessed Valuation of \$1,474,640,904. See “INVESTMENT CONSIDERATIONS – FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS.” See “TAXING PROCEDURES – VALUATION OF PROPERTY FOR TAXATION” for information regarding valuation and assessment of unoccupied houses held for sale by a developer or builder.

| Name of Taxpayer                   | 2018                          | % of Total                    |
|------------------------------------|-------------------------------|-------------------------------|
|                                    | Taxable Assessed<br>Valuation | Taxable Assessed<br>Valuation |
| WSP Development #6 Ltd. et. al.    | \$ 19,348,477                 | 1.31%                         |
| AR Plaza LP                        | 13,800,000                    | 0.94%                         |
| Magnolia Hospitality Mgt. CO LLC   | 4,895,523                     | 0.33%                         |
| Kmass, Partners Ltd.               | 3,300,000                     | 0.22%                         |
| Abacus School of Austin LLC        | 3,077,148                     | 0.21%                         |
| Altamira LLC                       | 2,975,397                     | 0.20%                         |
| Waterstone/HTK Development Co. LLC | 2,782,304                     | 0.19%                         |
| Salomon Development Co. LP         | 2,660,248                     | 0.18%                         |
| Puls Properties LLC                | 2,438,814                     | 0.17%                         |
| Comerica Bank Texas                | <u>2,365,536</u>              | <u>0.16%</u>                  |
|                                    | \$ 57,643,447                 | 3.91%                         |

## TAXING PROCEDURES

**AD VALOREM TAX LAW . . .** The appraisal of property within the District is the responsibility of the Williamson Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Texas law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation. Except for certain exemptions provided by State law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the District) include property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes; certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university; and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and windpowered energy devices; most individually owned automobiles; and certain classes of intangible property.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, under Section 1-b, Article VIII, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. Effective until December 31, 2019, the governing body of a political subdivision that adopted such exemption for the 2014 tax year (fiscal year 2015) is prohibited from repealing or reducing the amount of such exemption.

State law and Article VIII, Section 2, mandate an additional property tax exemption for disabled veterans or the surviving spouse, for so long as the spouse remains unmarried, or minor children of a disabled veteran who dies; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the disability rating of the veteran claiming the exemption. If an individual dies while on active duty in the armed forces the surviving spouse and surviving children are entitled to an exemption from taxation of \$5,000 of the assessed value of certain designated property owned by the spouse or children. A disabled veteran who receives 100% disability compensation from the United States Department of Veterans Affairs or its successor due to a service-connected disability and a rating of 100% disabled or of individual un-employability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. The surviving spouse of a deceased veteran who qualified for such an exemption when the disabled veteran died, or

the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property 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.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property 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.

Additionally, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death. Such exemption is transferable to a different property 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.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation and the appraiser is required to act on each claimant's right to the designation individually. 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 value, including three (3) years for agricultural use and five (5) years for agricultural open-space land and timberland prior to the loss of designation. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods are exempted from taxation by the District. Goods-in-transit are not exempted from taxation by the District.

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** Before the later of September 30 or the 60th day after the date that the certified appraisal roll is received by the District, the Commissioners Court, acting as the governing body of the District, must adopt a tax rate per \$100 taxable value for the current year. If the Commissioners Court, acting as the governing body of the District, does not adopt a tax rate before the date required by such required date, the tax rate for the District for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the Commissioners Court, acting as the governing body of the District, for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Texas Property Tax Code, the District must annually calculate and publicize its “effective tax rate” and “rollback tax rate.” Under current law, a tax rate may not be adopted by the Commissioners Court that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the District’s website if the District owns, operates or controls an Internet website and public notice be given by television if the District has free access to a television channel) and the Commissioners Court has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Texas Property Tax Code provides that certain cities and counties in Texas may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Texas Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are permitted by Texas law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| Month    | Cumulative<br>Penalty | Cumulative<br>Interest | Total |
|----------|-----------------------|------------------------|-------|
| February | 6%                    | 1%                     | 7%    |
| March    | 7                     | 2                      | 9     |
| April    | 8                     | 3                      | 11    |
| May      | 9                     | 4                      | 13    |
| June     | 10                    | 5                      | 15    |
| July     | 12                    | 6                      | 18    |

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the District’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**DISTRICT APPLICATION OF PROPERTY TAX CODE . . .** The District has not granted any exemptions in the District.

The District does not tax nonbusiness personal property; and the Williamson County Tax Assessor collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District does tax freeport property.

The District does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

**FINANCIAL INSTITUTIONS AND RECOVERY ACT . . .** The “Financial Institutions Reform, Recovery and Enforcement Act of 1989” (“FIRREA”), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

## **INVESTMENT CONSIDERATIONS**

**GENERAL . . .** The Bonds are obligations solely of the District and are not obligations of Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied solely on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District. See “THE BONDS – SOURCE OF PAYMENT.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that property in the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property. See “Registered Owners’ Remedies” below.

**FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . .** *Economic Factors and Interest Rates:* A substantial percentage of the taxable value located within the District results from the current market value of single-family residences. The market value of such homes is related to general economic conditions affecting the demand for such property. Demand for property of this type can be significantly affected by factors such as interest rates, credit availability, energy availability and the prosperity and demographic characteristics.

Although located approximately 17 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of taxable property values within the District are, to a great extent, a function of the Austin metropolitan and regional economies.

*Competition:* The demand for single-family homes in the District, which is approximately 17 miles from downtown Austin, could be affected by competition from other residential developments including other residential developments located in other utility districts in the vicinity of the District. In addition to competition for home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for the re-sale of homes within the District.

The District is located within four (4) miles of fourteen (14) other large developments.

**MAXIMUM IMPACT ON DISTRICT TAX RATES . . .** The value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2018 Certified Taxable Assessed Valuation of property in the District after deducting exemptions is \$1,474,640,904. After issuance of the Bonds, the maximum annual debt service requirement is expected to be \$1,249,650 (2020), and the average annual debt service requirement is expected to be \$1,065,377 (2019-2025, inclusive). Assuming no increase or decrease from the 2018 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.0856 and \$0.0730 per \$100 of assessed valuation at a ninety-five percent (99%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT – TAX RATE CALCULATIONS.”

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Decreases in the taxable value of the land within the District would most likely result in increases in the tax rate of the District.

**TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES . . .** The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under 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 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 procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. 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 – OVERLAPPING TAXES"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six months after the purchaser's deed issued at the foreclosure sale is filed in the County records with the exception of residential homesteads and property designated for agricultural use for which the right of redemption is two years). Finally, any 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. See "Bankruptcy Limitation to Registered Owners' Rights" below. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**REGISTERED OWNERS' REMEDIES . . .** Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Order are limited. Although Texas law and the Order provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interest of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Refunding Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the Registered Owners cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds.

**BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . .** The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Bondholders' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic bondholders' stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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.

**FUTURE DEBT . . .** The District does not anticipate the issuance of any additional new money debt. Any such additional new money debt would require separate voter approval. The District, however, may from time to time issue refunding bonds from the remaining \$24,867,873\* refunding authorization.

**FORECLOSURES WITHIN THE DISTRICT . . .** There was one home within the District posted for foreclosure sale as of March 8, 2019, according to the Williamson County Clerk.

The District can neither predict future conditions in the housing or financial markets nor provide any prediction as to the likelihood or number of home foreclosures within the District.

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive 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 does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

**PENDING LEGISLATION AFFECTING AD VALOREM TAXATION . . .** The 86th Regular Legislative Session convened on January 8, 2019 and will conclude on May 27, 2019. Thereafter, the Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

On February 5, 2019, the Governor declared property tax reform as an emergency item for the regular legislative session. As a result, bills pertaining to ad valorem property taxes filed during the 86th Regular Legislative Session will not be subject to a provision of the Texas Constitution that generally provides that no bill may become law within the first 60 days of a legislative session. Therefore, it is possible the Legislature will enact laws which affect ad valorem property taxes and other matters which could adversely affect the District, the marketability or market value of the Bonds. Such property tax reform legislation could become law prior to the Date of Delivery.

## **LEGAL MATTERS**

**LEGAL OPINIONS . . .** The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding Bonds of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, with respect to the Bonds issued in compliance with the provisions of the Order. The form of Bond Counsel’s opinion is attached hereto as APPENDIX A.

Bond Counsel was engaged by, and only represents, the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions, “THE BONDS” (except under the subcaptions “BOOK-ENTRY ONLY SYSTEM,” and “REMEDIES IN EVENT OF DEFAULT”), “LEGAL MATTERS” (except under the subcaption “FORWARD LOOKING STATEMENTS”), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Underwriter by the District. The legal fee to be paid Bond Counsel and Underwriter’s Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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.

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\*Preliminary, subject to change.

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . .** No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. It is the obligation of the purchaser to register or qualify sale of the Bonds under securities laws of any jurisdiction which so requires. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

**FORWARD LOOKING STATEMENTS . . .** The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **TAX MATTERS**

**OPINION . . .** On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") for federal income tax purposes, (1) interest on the Bonds 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. See "APPENDIX A – FORM OF BOND COUNSEL'S OPINION."

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, 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 the 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 the 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 the proceeds of the Bonds. No assurance 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 a 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) “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 accrual period and ratably within each such accrual 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of 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 statutes, regulations, published rulings and court decisions, all of which are 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 Subchapter C earnings and profits, 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 RECENTLY ENACTED LEGISLATION OR PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS 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.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion

for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the foregoing matters.

**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 citizens.

**INFORMATION REPORTING AND BACKUP WITHHOLDING . . .** Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

**QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . .** Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

#### CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the following agreement for the benefit of the registered and beneficial owners of the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the heading "FINANCIAL INFORMATION CONCERNING THE DISTRICT," and "TAX DATA" and in APPENDIX B. The District will update and provide this information within 6 months after the end of each fiscal year beginning with fiscal year ending 2019. If audited financial statements are not available when the information is provided, the District will provide audited financial statements when and if they become available and unaudited financial statements within 12 months after the fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation. The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB. If the District fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

**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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, 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, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, a trustee or early redemption.

**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of 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 obligations 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) 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 or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the District so amends the agreement, it has agreed to include with the next financial information and operating data 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.

## **LITIGATION**

Neither the District nor the Commissioners Court is a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District or the Commissioners Court, would have a material adverse effect on the operations or financial condition of the District.

## **RATING**

The Bonds and the outstanding debt of the District have been rated “AA+” by Fitch Ratings Inc. (“Fitch”). The District also has an underlying rating of “AA-” from Standard & Poor’s Ratings Group, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of such ratings may be obtained from the company furnishing the ratings. The ratings reflect only the views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## OTHER INFORMATION

**SOURCES AND COMPILATION OF INFORMATION . . .** The financial data and other information contained in this Official Statement has been obtained primarily from the District's and the County's records, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District or the Commissioner's Court as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District or the Commissioner's Court 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 and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

**UNDERWRITER . . .** The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on the inside front cover page, less an underwriting discount of \$ \_\_\_\_\_. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement pursuant to its responsibility to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

**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.

The Order will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter in accordance with the provisions of the SEC rule codified at 17 C.F.R. Section 240.15c2-12.

**SCHEDULE I**

**SCHEDULE OF REFUNDED BONDS\***

Unlimited Tax  
Refunding Bonds, Series 2012

| Amount              | Maturity  | Coupon |
|---------------------|-----------|--------|
| \$ 600,000          | 8/15/2021 | 3.500% |
| 620,000             | 8/15/2022 | 4.000% |
| 925,000             | 8/15/2023 | 4.000% |
| 745,000             | 8/15/2024 | 4.000% |
| 735,000             | 8/15/2025 | 4.000% |
| <u>\$ 3,625,000</u> |           |        |

Redemption Date: 8/15/2019

Redemption Price: 100%

\_\_\_\_\_  
\*Preliminary, subject to change.

**APPENDIX A**

**Form of Bond Counsel's Opinion**

**APPENDIX B**

**Audited Financial Statement of the District  
For the Year Ended September 30, 2018**