

## PRELIMINARY OFFICIAL STATEMENT

Dated August 19, 2020

### 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 Tax-Exempt Bonds (defined herein) 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.

**THE DISTRICT EXPECTS TO DESIGNATE THE TAX-EXEMPT BONDS AS  
“QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS**

**\$1,170,000\***

**SOMERSET HILLS ROAD DISTRICT NO. 4**

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

**UNLIMITED TAX ROAD BONDS, SERIES 2020**

**Dated: September 29, 2020**

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

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

**PAYMENT TERMS** . . . The \$1,170,000\* Somerset Hills Road District No. 4 Unlimited Tax Road Bonds, Series 2020 (the “Tax-Exempt Bonds”) will be dated September 29, 2020 (the “Dated Date”). Interest on the Tax-Exempt Bonds will accrue from the Date of Initial Delivery, defined below, and will be payable on February 15, 2021 and on each August 15 and February 15 thereafter until maturity or prior redemption. The Tax-Exempt Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof. Interest on the Tax-Exempt Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Tax-Exempt Bonds, when issued, will constitute valid and legally binding obligations of the Somerset Hills Road District No. 4 (the “District”) and will be payable solely from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Tax-Exempt Bonds are not obligations of the State of Texas, Williamson County, the City of Austin 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 Tax-Exempt Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Tax-Exempt 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 Tax-Exempt Bonds. See “Book-Entry-Only System” herein.

**PURPOSE** . . . Proceeds from the sale of the Tax-Exempt Bonds will be used for (i) constructing, improving, acquiring, or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage works and other similar improvements and carrying out other improvements that are necessary, convenient, related or in aid thereto; (ii) funding approximately 12 months’ capitalized interest on the Tax-Exempt Bonds; and (iii) paying the costs associated with the issuance of the Tax-Exempt Bonds. See “THE BONDS – Authorization and Purpose” and “THE ROAD IMPROVEMENTS.”

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**CUSIP PREFIX:** \_\_\_\_\_  
**MATURITY SCHEDULE**  
**See Inside Cover Page**

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THE TAX-EXEMPT BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

**LEGALITY** . . . The Tax-Exempt 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 Tax-Exempt Bond 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 to the District, 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 Tax-Exempt Bonds will be available for delivery through DTC on September 29, 2020 (the “Date of Initial Delivery”).

**THE GMS GROUP, LLC**

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

| 8/15<br>Maturity | Principal<br>Amount | Interest<br>Rate | Initial<br>Yield <sup>(a)</sup> | CUSIP<br>Numbers <sup>(b)</sup> |
|------------------|---------------------|------------------|---------------------------------|---------------------------------|
| 2021             | \$ 35,000           |                  |                                 |                                 |
| 2022             | 30,000              |                  |                                 |                                 |
| 2023             | 30,000              |                  |                                 |                                 |
| 2024             | 30,000              |                  |                                 |                                 |
| 2025             | 35,000              |                  |                                 |                                 |
| 2026             | 35,000              |                  |                                 |                                 |
| 2027             | 35,000              |                  |                                 |                                 |
| 2028             | 35,000              |                  |                                 |                                 |
| 2029             | 40,000              |                  |                                 |                                 |
| 2030             | 40,000              |                  |                                 |                                 |
| 2031             | 40,000              |                  |                                 |                                 |
| 2032             | 45,000              |                  |                                 |                                 |
| 2033             | 45,000              |                  |                                 |                                 |
| 2034             | 45,000              |                  |                                 |                                 |
| 2035             | 50,000              |                  |                                 |                                 |
| 2036             | 50,000              |                  |                                 |                                 |
| 2037             | 50,000              |                  |                                 |                                 |
| 2038             | 55,000              |                  |                                 |                                 |
| 2039             | 55,000              |                  |                                 |                                 |
| 2040             | 60,000              |                  |                                 |                                 |
| 2041             | 60,000              |                  |                                 |                                 |
| 2042             | 65,000              |                  |                                 |                                 |
| 2043             | 65,000              |                  |                                 |                                 |
| 2044             | 70,000              |                  |                                 |                                 |
| 2045             | 70,000              |                  |                                 |                                 |

**(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 S&P Global Market Intelligence 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 Tax-Exempt Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Tax-Exempt 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 Tax-Exempt Bonds. None of the District, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION . . .** The District reserves the right, at its option, to redeem Tax-Exempt Bonds having stated maturities on and after August 15, 20\_\_, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof on August 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption”). Additionally, the Tax-Exempt Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as Tax-Exempt Term Bonds.

**SEPARATE OFFERINGS . . .** The Tax-Exempt Bonds and the Taxable Bonds (defined herein) are each separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while the Bonds (defined herein) share certain common attributes, each series of the Bonds is separate from the others and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the federal income tax treatment of payments related thereto, the rights of owners, the right of the District to redeem the Bonds of either series, the federal, state or local tax consequences on the purchase, ownership or description of the Bonds and other features. The sale and delivery of each series of the Bonds is not dependent upon the sale and delivery of the other series of the Bonds.

## PRELIMINARY OFFICIAL STATEMENT

Dated August 19, 2020

### NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, the Taxable Bonds (defined herein) are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. Interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS.”

**\$2,180,000\***

#### **SOMERSET HILLS ROAD DISTRICT NO. 4**

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

#### **UNLIMITED TAX ROAD BONDS, TAXABLE SERIES 2020**

**Dated: September 29, 2020**

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

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

**PAYMENT TERMS . . .** The \$2,180,000\* Somerset Hills Road District No. 4 Unlimited Tax Road Bonds, Taxable Series 2020 (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) will be dated September 29, 2020 (the “Dated Date”). Interest on the Taxable Bonds will accrue from the Date of Initial Delivery, defined below, and will be payable on February 15, 2021 and on each August 15 and February 15 thereafter until maturity or prior redemption. The Taxable Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof. Interest on the Taxable Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Taxable Bonds, when issued, will constitute valid and legally binding obligations of the Somerset Hills Road District No. 4 (the “District”) and will be payable solely from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Taxable Bonds are not obligations of the State of Texas, Williamson County, the City of Austin 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 Taxable Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Taxable 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 Taxable Bonds. See “Book-Entry-Only System” herein.

**PURPOSE . . .** Proceeds from the sale of the Taxable Bonds will be used for (i) constructing, improving, acquiring, or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage works and other similar improvements and carrying out other improvements that are necessary, convenient, related or in aid thereto; (ii) funding approximately 12 months’ capitalized interest on the Taxable Bonds; and (iii) paying the costs associated with the issuance of the Taxable Bonds. See “THE BONDS – Authorization and Purpose” and “THE ROAD IMPROVEMENTS.”

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**CUSIP PREFIX:** \_\_\_\_\_

**MATURITY SCHEDULE**

**See Inside Cover Page**

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THE TAXABLE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

**LEGALITY . . .** The Taxable 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 Taxable Bond 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 to the District, 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 Taxable Bonds will be available for delivery through DTC on September 29, 2020 (the “Date of Initial Delivery”).

**THE GMS GROUP, LLC**

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\* Preliminary, subject to change.

### MATURITY SCHEDULE\*

| 8/15<br>Maturity | Principal<br>Amount | Interest<br>Rate | Initial<br>Yield <sup>(a)</sup> | CUSIP<br>Numbers <sup>(b)</sup> |
|------------------|---------------------|------------------|---------------------------------|---------------------------------|
| 2021             | \$ 60,000           |                  |                                 |                                 |
| 2022             | 55,000              |                  |                                 |                                 |
| 2023             | 55,000              |                  |                                 |                                 |
| 2024             | 60,000              |                  |                                 |                                 |
| 2025             | 60,000              |                  |                                 |                                 |
| 2026             | 65,000              |                  |                                 |                                 |
| 2027             | 65,000              |                  |                                 |                                 |
| 2028             | 70,000              |                  |                                 |                                 |
| 2029             | 70,000              |                  |                                 |                                 |
| 2030             | 75,000              |                  |                                 |                                 |
| 2031             | 75,000              |                  |                                 |                                 |
| 2032             | 80,000              |                  |                                 |                                 |
| 2033             | 85,000              |                  |                                 |                                 |
| 2034             | 85,000              |                  |                                 |                                 |
| 2035             | 90,000              |                  |                                 |                                 |
| 2036             | 95,000              |                  |                                 |                                 |
| 2037             | 95,000              |                  |                                 |                                 |
| 2038             | 100,000             |                  |                                 |                                 |
| 2039             | 105,000             |                  |                                 |                                 |
| 2040             | 110,000             |                  |                                 |                                 |
| 2041             | 115,000             |                  |                                 |                                 |
| 2042             | 120,000             |                  |                                 |                                 |
| 2043             | 125,000             |                  |                                 |                                 |
| 2044             | 130,000             |                  |                                 |                                 |
| 2045             | 135,000             |                  |                                 |                                 |

(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 S&P Global Market Intelligence 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 Taxable Bonds. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Taxable 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 Taxable Bonds. None of the District, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION . . .** The District reserves the right, at its option, to redeem Taxable Bonds having stated maturities on and after August 15, 20\_\_, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof on August 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption”). Additionally, the Taxable Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as Taxable Term Bonds.

**SEPARATE OFFERINGS . . .** The Taxable Bonds and the Tax-Exempt Bonds (defined herein) are each separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while the Bonds (defined herein) share certain common attributes, each series of the Bonds is separate from the others and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the federal income tax treatment of payments related thereto, the rights of owners, the right of the District to redeem the Bonds of either series, the federal, state or local tax consequences on the purchase, ownership or description of the Bonds and other features. The sale and delivery of each series of the Bonds is not dependent upon the sale and delivery of the other series of the Bonds.

## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States 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.

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APPENDIX A—Forms of Bond Counsel’s Opinions  
PHOTOGRAPHS

## 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

*The Bonds* ..... Somerset Hills Road District No. 4 (the “District”) is issuing its Unlimited Tax Road Bonds, Series 2020 (the “Tax-Exempt Bonds”), in the aggregate principal amount of \$1,170,000\* which mature as serial bonds on August 15 in the years 2021 through and including 2045 in the principal amounts set forth on page 2 hereof unless the Underwriter elects to aggregate two or more maturities as Tax-Exempt Term Bonds.

The District is also issuing its Unlimited Tax Road Bonds, Taxable Series 2020 (the “Taxable Bonds”), in the aggregate principal amount of \$1,170,000\* which mature as serial bonds on August 15 in the years 2021 through and including 2045 in the principal amounts set forth on page 4 hereof unless the Underwriter elects to aggregate two or more consecutive maturities as Taxable Term Bonds.

Such Tax-Exempt Bonds and Taxable Bonds are hereinafter sometimes referred to collectively as the “Bonds.” See “THE BONDS – Description.”

*Redemption* ..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20\_\_, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as Term Bonds.

*Use of Proceeds* ..... Proceeds from the sale of the Bonds will be used for (i) constructing, improving, acquiring, or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage works and other similar improvements and carrying out other improvements that are necessary, convenient, related or in aid thereto; (ii) funding approximately 12 months’ capitalized interest on the Bonds; and (iii) paying the costs associated with the issuance of the Bonds. See “THE BONDS – Authorization and Purpose.”

*Authority for Issuance* ..... The Bonds are issued pursuant to an election held within the District on May 10, 2008, orders of the Commissioners Court (the “Commissioners Court”) of Williamson County (the “County”), as governing body of the District, authorizing the issuance of the Bonds (the “Bond Orders”), Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 257, Texas Transportation Code, as amended, and Chapter 1471, Texas Government Code, as amended. See “THE BONDS – Authorization and Purpose,” and “– Issuance of Additional Debt.”

*Source and Security for Payment* ..... 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 all taxable property within the District. The Bonds are not secured by any other source. The Bonds are not obligations of the County, the City of Austin, the State of Texas or any entity other than the District. See “THE BONDS – Source of Payment.”

*Tax Exemption* ..... In the opinion of Bond Counsel, the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to matters described in “TAX MATTERS.” See “TAX MATTERS” for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences.

The Taxable Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 (see “TAX MATTERS”). Interest on the Taxable Bonds is not excludable from gross income for federal tax purposes under existing law.

\*Preliminary, subject to change.

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Qualified Tax-Exempt Obligations .....</i> | The District expects to designate the Tax-Exempt 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 Tax-Exempt Bonds) during calendar year 2020. 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.”                                                                                                                                                                                                                                        |

## THE DISTRICT

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Description .....</i>                     | The District was created on February 12, 2008 by order of the Commissioners Court. The District is comprised of approximately 1,186.99 acres of land. See “THE DISTRICT.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <i>Location .....</i>                        | The District, which is comprised of 1,186.99 acres, lies entirely within the County and in the corporate limits of the City of Georgetown. The District includes a master planned community known as Sun City Texas and is located approximately 30 miles northwest of Austin’s central business district and directly west of the City of Georgetown. The District is primarily located within the Georgetown Independent School District, however there are two lots located in the Jarrell Independent School District. See “THE DISTRICT.”                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <i>The District .....</i>                    | At an election held on May 10, 2008, the qualified electors within the District approved \$70,000,000 in aggregate principal amount of unlimited tax new money bonds for constructing, improving, acquiring or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage and other similar improvements pursuant to Section 52, Article III of the Texas Constitution, and the levy of an unlimited ad valorem tax upon all taxable property located within the District to pay such bonds. 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.”<br><br>The District is comprised of approximately 1,186.99 acres of land. See “THE DISTRICT – General Description.” |
| <i>The Developer.....</i>                    | Land within the District is currently being developed by Pulte Homes of Texas LP (the “Developer” or “Pulte”), a Texas based limited partnership controlled by Pulte Group, Inc. Pulte Group, Inc. is the nation’s 3rd largest homebuilder with operations in 23 states and 42 major markets (NYSE listed as: PHM).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <i>Development within the District .....</i> | The Developer reports that as of July 1, 2020, water, wastewater, streets and drainage facilities have been completed to serve approximately 258.233 acres of the development within the District (out of a total of 593.858 acres within the District currently owned by Pulte). At full build-out, the acreage originally owned by the Developer is anticipated to be developed into 1,800 single-family residential units. Other landowners within the District hold acreage which is expected to be sold to other builders, representing approximately 367 additional single-family residential units and approximately 480 multi-family residential units. The City of Georgetown provides retail water and wastewater and electric service to the District.                                                                                                                                                                                                                      |

Development within the District as of July 1, 2020 was as follows:

|                                   |         |
|-----------------------------------|---------|
| Total Completed Homes             | 201     |
| Total Occupied Homes              | 191     |
| Homes Under Construction          | 45      |
| Vacant Developed Lots             | 206     |
| Lots Under Development            | 195     |
| Undeveloped (developable) Acreage | 928.660 |

See "THE DISTRICT."

*Payment Record*..... The District has not previously issued bonds.

*Overlapping District Taxes*..... The District expects to adopt a 2020 debt service tax rate of \$0.2900 per \$100 of assessed valuation on all taxable property located within the District on September 15, 2020. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Estimated Overlapping Taxes."

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# **SELECTED FINANCIAL INFORMATION (UNAUDITED)**

|                                                                                                         |    |            |     |
|---------------------------------------------------------------------------------------------------------|----|------------|-----|
| 2017 Certified Taxable Assessed Valuation of the District .....                                         | \$ | 37,512,880 | (a) |
| 2018 Certified Taxable Assessed Valuation of the District .....                                         | \$ | 39,354,690 | (a) |
| 2019 Certified Taxable Assessed Valuation of the District .....                                         | \$ | 45,631,306 | (a) |
| 2020 Certified Taxable Assessed Valuation of the District .....                                         | \$ | 73,430,071 | (a) |
| Gross Direct Long-Term Debt Outstanding of the District.....                                            | \$ | 3,350,000  | (b) |
| Estimated Overlapping Debt of the District.....                                                         |    | 4,797,272  | (c) |
| Gross Direct Long-Term Debt and Estimated Overlapping Debt .....                                        | \$ | 8,147,272  | (b) |
| Ratio of Gross Long-Term Debt of the District to:                                                       |    |            |     |
| 2020 Certified Taxable Assessed Valuation of the District .....                                         |    | 4.56%      | (b) |
| Ratio of Gross Long-Term Debt of the District and Estimated Overlapping Debt to:                        |    |            |     |
| 2020 Certified Taxable Assessed Valuation of the District .....                                         |    | 11.10%     | (b) |
| 2020 Tax Rate:                                                                                          |    |            |     |
| Debt Service .....                                                                                      | \$ | 0.2900     |     |
| Maintenance & Operation.....                                                                            |    | 0.0000     |     |
| Total.....                                                                                              | \$ | 0.2900     | (d) |
| Funds Available for Debt Service:                                                                       |    |            |     |
| Debt Service Fund Balance as of 9/29/20 (represents 12 months' capitalized interest on the Bonds) ..... | \$ | 268,000    | (e) |
| Average Annual Debt Service Requirement (2021-2045) .....                                               | \$ | 213,449    | (b) |
| Maximum Annual Debt Service Requirement (2042).....                                                     | \$ | 216,200    | (b) |
| Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at 97.5% Collection Rate               |    |            |     |
| Based Upon the 2020 Certified Taxable Assessed Valuation of the District .....                          | \$ | 0.2981     |     |
| Tax Rate Required to Pay Maximum Annual Debt Service (2042) at 97.5% Collection Rate                    |    |            |     |
| Based Upon the 2020 Certified Taxable Assessed Valuation of the District .....                          | \$ | 0.3020     |     |

Development within the District as of July 1, 2020 was as follows:

|                                              |         |
|----------------------------------------------|---------|
| Total Completed Homes                        | 201     |
| Total Occupied Homes                         | 191     |
| Homes Under Construction                     | 45      |
| Vacant Developed Lots                        | 206     |
| Lots Under Development                       | 195     |
| Undeveloped (developable) Acreage            | 928.660 |
| Estimated District Population <sup>(f)</sup> | 704     |

- (a) Certified Taxable Assessed Valuation of the District as certified by the Williamson Central Appraisal District.
- (b) Includes the Bonds, preliminary, subject to change. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Debt Service Requirements."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Estimated Overlapping Debt."
- (d) The District anticipates adopting a tax rate of \$0.2900 on September 15, 2020. The District is not authorized to levy a maintenance and operation tax.
- (e) Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund. The amount shown is preliminary, subject to change.
- (f) Based upon 3.5 residents per occupied single-family residence.

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## PRELIMINARY OFFICIAL STATEMENT

**\$1,170,000\***  
**SOMERSET HILLS ROAD DISTRICT NO. 4**  
*(A political subdivision of the State of Texas  
located within Williamson County)*  
**UNLIMITED TAX ROAD BONDS, SERIES 2020**

**\$2,180,000\***  
**SOMERSET HILLS ROAD DISTRICT NO. 4**  
*(A political subdivision of the State of Texas  
located within Williamson County)*  
**UNLIMITED TAX ROAD BONDS,  
TAXABLE SERIES 2020**

This Official Statement provides certain information in connection with the issuance by Somerset Hills Road District No. 4 (the “District”) of its \$1,170,000\* Unlimited Tax Road Bonds, Series 2020 (the “Tax-Exempt Bonds”) and \$2,180,000\* Unlimited Tax Road Bonds, Taxable Series 2020 (the “Taxable Bonds”). Such Tax-Exempt Bonds and Taxable Bonds are hereinafter sometimes referred to collectively as the “Bonds.”

This Official Statement includes descriptions, among others, of the Bonds and the Bond Orders, 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 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 . . .** The Tax-Exempt Bonds are being issued in the aggregate principal amount of \$1,170,000\* maturing as serial bonds on August 15 in the years 2021 through and including 2045 in the principal amounts set forth on page 2 hereof. The Taxable Bonds are being issued in the aggregate principal amount of \$2,180,000\* maturing as serial bonds on August 15 in the years 2021 through and including 2045 in the principal amounts set forth on page 4 hereof. The Bonds will be dated September 29, 2020 (the “Date of Initial Delivery”), and interest will accrue from the Date of Initial Delivery and will be payable on February 15, 2021 and on each August 15 and February 15 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued pursuant to the Bond 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 . . .** The Bonds are issued pursuant to the election held within the District on May 10, 2008, the bond orders authorizing the issuance of the Bonds (the “Bond Orders”), Article III, Section 52 of the Texas Constitution, and general laws of the State of Texas, including Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code. The Bond Orders will be adopted by the Commissioners’ Court (the “Commissioners Court”) of Williamson County, Texas (the “County”), as the governing body of the District.

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used for (i) constructing, improving, acquiring, or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage works and other similar improvements and carrying out other improvements that are necessary, convenient, related or in aid thereto; (ii) funding approximately 12 months’ capitalized interest on the Bonds; and (iii) paying the costs associated with the issuance of the Bonds.

\*Preliminary, subject to change.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Tax-Exempt and Taxable Bonds are expected to be applied as follows:

|                              | Tax-Exempt Bonds | Taxable Bonds |
|------------------------------|------------------|---------------|
| Sources:                     |                  |               |
| Par Amount of Bonds          | \$               | \$            |
| Reoffering Premium           |                  |               |
| Total Sources                | \$               | \$            |
| Uses:                        |                  |               |
| Deposit to Project Fund      | \$               | \$            |
| Deposit to Debt Service Fund |                  |               |
| Underwriter's Discount       |                  |               |
| Costs of Issuance            |                  |               |
| Total Uses                   | \$               | \$            |

**DEFEASANCE . . . General.** The Bond Orders provide for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond 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 Bond Orders, 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 Bond Orders 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 Bond Orders 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 Bond Orders 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 Bond Orders.

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 Bond Orders shall be made without the consent of the registered owner of each Bond affected thereby.

**Retention of Rights.** To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

**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 Bond Orders do 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.

**REDEMPTION . . .** The Bonds maturing on and after August 15, 2030 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2029, or on any date thereafter, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. In addition to being subject to optional redemption, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more consecutive maturities as Term Bonds.

**SELECTION OF BONDS FOR REDEMPTION . . .** If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to an optional redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE DISTRICT TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE FOLLOWING PARAGRAPH, NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of, premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given to the effect that the Bonds have not been redeemed.

**DTC REDEMPTION PROVISIONS . . .** The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise a DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds

held for account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

**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, 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 rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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.

**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 Bond 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 Bond Orders, 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 a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. The Commissioners Court, acting as the governing body of the District, covenants in the Bond Orders 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; the County; 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 Bond 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 Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar 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 Bond Orders for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall 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 may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created with the approval of the District's voters. On May 10, 2008, voters within the District authorized the issuance of unlimited ad valorem tax bonds in the principal amount of \$70,000,000 for the purpose of constructing, improving, acquiring or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, tails, drainage and other similar improvements, of which \$66,650,000\* will remain authorized but unissued after the issuance of the Bonds. Neither Texas law nor the Bond Orders impose a limitation on the amount of additional bonds which may be issued by the District. The District has no plans to issue any additional new money debt in the next 12 months. As additional tax base accrues, the District may issue additional debt from time to time to finance additional road improvements. The District may also issue refunding bonds from time to time to achieve debt service savings.

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 4.7% of the 2020 Taxable Assessed Valuation of all real property in the District.

**REMEDIES IN EVENT OF DEFAULT . . .** The Bond 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 Bond 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 issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Orders and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may

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\*Preliminary, subject to change.

have to be relied upon from year to year. The Bond Orders do not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Orders, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*,” and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the District’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or covenants of the Bond Orders. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond 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, 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 not rated. 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 Bond Order authorizing the Tax-Exempt Bonds the District has covenanted with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities financed with proceeds of the Tax-Exempt Bonds and the manner in which the proceeds of the Tax-Exempt 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 Tax-Exempt 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 Bond 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 Bond 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.

## **THE DISTRICT**

**CREATION AND ABOLISHMENT OF THE DISTRICT . . .** Chapter 257 of the Texas Transportation Code and Chapter 1471 of the Texas Government Code (collectively, the “Act”) allow a commissioner’s 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 12, 2008, in accordance with the Act and Article III, Section 52 of the Texas Constitution. The Commissioners Court is the governing body of the District.

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 4.7% of the 2020 Taxable Assessed Valuation of all real property in the District.

**DISTRICT PURPOSE . . .** At an election held on May 10, 2008, the qualified electors within the District approved \$70,000,000 in aggregate principal amount of unlimited tax new money bonds for constructing, improving, acquiring or reimbursing for the costs of constructing, improving or acquiring, maintaining, financing and operating macadamized, graveled or paved roads and turnpikes and related bridges, trails, drainage and other similar improvements pursuant to Section 52, Article III of the Texas Constitution, and the levy of an unlimited ad valorem tax upon all taxable property located within the District to pay such bonds. The Bonds are secured solely by an unlimited ad valorem tax levied upon all taxable property located within the District.

The Developer is being reimbursed from the Tax-Exempt Bonds for its share of the costs associated with construction expenses and land dedication for Ronald Reagan Boulevard from Farm to Market Road 2338 to State Highway 195. The County is being reimbursed from the Taxable Bonds for its share of the costs associated with construction expenses for the same segment of Ronald Reagan Boulevard.

**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 the County. Various supporting services are provided by independent consultants and advisors. The District does not have any employees.

The District is entirely located in County Precinct No. 3. The Williamson Central Appraisal District (the “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 Auditor is responsible for recommending the tax rate annually for the District. 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 Bond 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 comprised of approximately 1,186.99 acres of land. All of the District is located approximately 30 miles northwest of Austin’s central business district and directly west of the City of Georgetown.

**THE DEVELOPER . . .** Land within the District is currently being developed by Pulte Homes of Texas LP (the “Developer” or “Pulte”), a Texas based limited partnership controlled by Pulte Group, Inc. Pulte Group, Inc. is the nation’s 3rd largest homebuilder with operations in 23 states and 42 major markets (NYSE listed as: PHM).

**DEVELOPMENT WITHIN THE DISTRICT . . .** The District includes a master planned community known as Sun City Texas. See “THE ROAD IMPROVEMENTS.” As of July 1, 2020, water, wastewater, streets and drainage facilities have been completed to serve approximately 213.013 acres of the development within the District (out of a total of 1,186.99 developable acres). The City of Georgetown provides retail water and wastewater and electric service to the District.

Development within the District as of July 1, 2020 was as follows:

|                                   |         |
|-----------------------------------|---------|
| Total Completed Homes             | 201     |
| Total Occupied Homes              | 191     |
| Homes Under Construction          | 45      |
| Vacant Developed Lots             | 206     |
| Lots Under Development            | 195     |
| Undeveloped (developable) Acreage | 928.660 |

**DEVELOPMENT FINANCING . . .** The Developer is currently funding project development through cash which will be partially reimbursed with proceeds of the Tax-Exempt Bonds issued by the District. Future project infrastructure requirements are also expected to be funded internally by the Developer.

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

*Tax Appraisal:* The 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 (“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 (“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.

## **THE ROAD IMPROVEMENTS**

The Developer reports that as of July 1, 2020, water, wastewater, streets and drainage facilities have been completed to serve approximately 258.233 acres of the development within the District (out of a total of 771.545 acres originally owned and 593.858 acres currently owned by Pulte). At full build-out, the District is anticipated to be developed into 1,800 single-family residential units. Other landowners within the District hold acreage which is expected to be sold to other builders, representing approximately 367 additional single-family residential units and approximately 480 multi-family residential units. The City of Georgetown provides retail water and wastewater and electric service to the District.

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## 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 Commissioners Court. Both state 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 obligations meeting the requirements of the PFIA which may include: (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 of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) 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 (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9)(i) certificates of deposit and 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clause (1) which are 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 a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "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 an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial 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 Securities and Exchange Commission that provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Invest Company Act of 1940 and that comply with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (iv) a loan made under the program is government securities dealer or a financial institution doing business in the Texas, and (v) 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 Texas Public Funds Investment Act. 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 imprudent investment activities, 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 and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

# FINANCIAL INFORMATION CONCERNING THE DISTRICT

## PRO – FORMA DEBT SERVICE REQUIREMENTS

| Fiscal<br>Year | The Tax-Exempt Bonds <sup>(a)</sup> |            |              | The Taxable Bonds <sup>(a)</sup> |              |              | Total<br>Debt Service<br>Requirements |
|----------------|-------------------------------------|------------|--------------|----------------------------------|--------------|--------------|---------------------------------------|
| Ending<br>9/30 | Principal                           | Interest   | Total        | Principal                        | Interest     | Total        |                                       |
| 2021           | \$ 35,000                           | \$ 41,080  | \$ 76,080    | \$ 60,000                        | \$ 76,542    | \$ 136,542   | \$ 212,622                            |
| 2022           | 30,000                              | 45,400     | 75,400       | 55,000                           | 84,800       | 139,800      | 215,200                               |
| 2023           | 30,000                              | 44,200     | 74,200       | 55,000                           | 82,600       | 137,600      | 211,800                               |
| 2024           | 30,000                              | 43,000     | 73,000       | 60,000                           | 80,400       | 140,400      | 213,400                               |
| 2025           | 35,000                              | 41,800     | 76,800       | 60,000                           | 78,000       | 138,000      | 214,800                               |
| 2026           | 35,000                              | 40,400     | 75,400       | 65,000                           | 75,600       | 140,600      | 216,000                               |
| 2027           | 35,000                              | 39,000     | 74,000       | 65,000                           | 73,000       | 138,000      | 212,000                               |
| 2028           | 35,000                              | 37,600     | 72,600       | 70,000                           | 70,400       | 140,400      | 213,000                               |
| 2029           | 40,000                              | 36,200     | 76,200       | 70,000                           | 67,600       | 137,600      | 213,800                               |
| 2030           | 40,000                              | 34,600     | 74,600       | 75,000                           | 64,800       | 139,800      | 214,400                               |
| 2031           | 40,000                              | 33,000     | 73,000       | 75,000                           | 61,800       | 136,800      | 209,800                               |
| 2032           | 45,000                              | 31,400     | 76,400       | 80,000                           | 58,800       | 138,800      | 215,200                               |
| 2033           | 45,000                              | 29,600     | 74,600       | 85,000                           | 55,600       | 140,600      | 215,200                               |
| 2034           | 45,000                              | 27,800     | 72,800       | 85,000                           | 52,200       | 137,200      | 210,000                               |
| 2035           | 50,000                              | 26,000     | 76,000       | 90,000                           | 48,800       | 138,800      | 214,800                               |
| 2036           | 50,000                              | 24,000     | 74,000       | 95,000                           | 45,200       | 140,200      | 214,200                               |
| 2037           | 50,000                              | 22,000     | 72,000       | 95,000                           | 41,400       | 136,400      | 208,400                               |
| 2038           | 55,000                              | 20,000     | 75,000       | 100,000                          | 37,600       | 137,600      | 212,600                               |
| 2039           | 55,000                              | 17,800     | 72,800       | 105,000                          | 33,600       | 138,600      | 211,400                               |
| 2040           | 60,000                              | 15,600     | 75,600       | 110,000                          | 29,400       | 139,400      | 215,000                               |
| 2041           | 60,000                              | 13,200     | 73,200       | 115,000                          | 25,000       | 140,000      | 213,200                               |
| 2042           | 65,000                              | 10,800     | 75,800       | 120,000                          | 20,400       | 140,400      | 216,200                               |
| 2043           | 65,000                              | 8,200      | 73,200       | 125,000                          | 15,600       | 140,600      | 213,800                               |
| 2044           | 70,000                              | 5,600      | 75,600       | 130,000                          | 10,600       | 140,600      | 216,200                               |
| 2045           | 70,000                              | 2,800      | 72,800       | 135,000                          | 5,400        | 140,400      | 213,200                               |
|                | \$ 1,170,000                        | \$ 691,080 | \$ 1,861,080 | \$ 2,180,000                     | \$ 1,295,142 | \$ 3,475,142 | \$ 5,336,222                          |

(a) Interest on the Bonds calculated at an assume rates 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 Williamson Central Appraisal District 2020 Certified Assessed Valuation. The calculations assume collection of 97.5% of taxes levied.

Tax Rate Required to Pay Average Annual Debt Service (2021-2045) at 97.5% Collection Rate

Based Upon the 2020 Certified Taxable Assessed Valuation of the District .....\$ 0.2981 (a)

Tax Rate Required to Pay Maximum Annual Debt Service (2042) at 97.5% Collection Rate

Based Upon the 2020 Certified Taxable Assessed Valuation of the District .....\$ 0.3020 (a)

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

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**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          |
|--------------------------------------------------|----------------------|---------|------------------------|-----------------|
| Somerset Hills Road District No. 4.....          | \$ 3,350,000 (a)     | 9/29/20 | 100.00%                | \$ 3,350,000    |
| Williamson County .....                          | 1,047,414,956        | 6/30/20 | 0.25%                  | 2,618,537       |
| Georgetown ISD .....                             | 431,530,000 (b)      | 6/30/20 | 0.45%                  | 1,941,885       |
| City of Georgetown .....                         | 236,850,000          | 6/30/20 | 0.10%                  | <u>236,850</u>  |
| Total Direct and Estimated Overlapping Debt..... |                      |         |                        | \$ 8,147,272(b) |

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Certified Taxable Assessed Valuation<sup>(a)(b)</sup> ..... 11.10%<sup>(b)(c)</sup>

(a) The Bonds. Preliminary, subject to change.

(b) Preliminary, subject to change.

(c) Value provided by Williamson Central Appraisal District. Debt of Jarrell ISD has been excluded since only two properties are inside the boundaries of that school district.

**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 2019 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. Tax rates for 2020 have not yet been adopted by any of the taxing jurisdictions shown below.

#### TAXING JURISDICTION

|                                                   | 2019<br>Tax Rates <sup>(b)</sup> |
|---------------------------------------------------|----------------------------------|
| Somerset Hills Road District No. 4 <sup>(a)</sup> | \$ 0.000000                      |
| City of Georgetown                                | 0.420000                         |
| Williamson County                                 | 0.458719                         |
| Georgetown Independent School District            | <u>1.339000</u>                  |
| Total Estimated Tax Rate                          | \$ 2.217719                      |

(a) The District expects to adopt a 2020 debt service tax rate of \$0.2900/\$100 valuation on September 15, 2020.

(b) There are (2) properties located inside the Jarrell Independent School District's ("JISD") boundaries. The JISD 2019 tax rate was \$1.4700.

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## TAX DATA

**GENERAL . . .** All taxable property within the District is subject to the assessment, levy and collection by the Commissioners 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.

**DISTRICT TAX . . .** The Commissioners Court covenants in the Bond Orders 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 2020 Williamson Central Appraisal District Certified Taxable Assessed Valuation of \$73,430,071. 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                        | 2020<br>Taxable Assessed<br>Valuation | % of Total<br>Taxable Assessed<br>Valuation |
|-----------------------------------------|---------------------------------------|---------------------------------------------|
| Pulte Homes of Texas LP                 | \$ 10,018,949                         | 13.64%                                      |
| Pulte Homes of Texas LP                 | 9,650,544                             | 13.14%                                      |
| Pulte Homes of Texas LP                 | 4,180,209                             | 5.69%                                       |
| Pulte Homes of Texas LP                 | 2,151,344                             | 2.93%                                       |
| Pulte Homes of Texas LP                 | 815,731                               | 1.11%                                       |
| Polinski, Donald & Jane Anne            | 456,836                               | 0.62%                                       |
| Seyb, Spencer Laurence & Jeanne Lynn    | 435,708                               | 0.59%                                       |
| Seehorn, Joseph Wesley & Donna Estridge | 386,020                               | 0.53%                                       |
| Kneale, James & Mako                    | 386,020                               | 0.53%                                       |
| Keck, Pamela & Tamara                   | 384,603                               | 0.52%                                       |
|                                         | <u>\$ 28,865,964</u>                  | <u>39.31%</u>                               |

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## TAXING PROCEDURES

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

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

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

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

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

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each school district in the State, (1) a \$25,000 exemption of the market value of all homesteads, (2) a \$10,000 exemption of the market value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a District, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

**STATE MANDATED FREEZE ON SCHOOL DISTRICT TAXES . . .** Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. For persons 65 years of age or older, but not the disabled, this freeze is also transferable to a different homestead or, under certain circumstances, to the surviving spouse of a qualifying taxpayer.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . .** The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and

inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

**FREEPORT EXEMPTIONS . . .** Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

**TAX INCREMENT FINANCING ZONES . . .** A District or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the District, see “TAXING PROCEDURES – District Application of Tax Code” herein.

**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. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

**ISSUER AND TAXPAYER REMEDIES . . .** Under certain circumstances, the District and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property

become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from 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.

**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 TAX CODE . . .** The County has not granted any exemptions which would reduce the taxable value of property in the District for purposes of reducing tax bills for the Somerset Hills #4 Roadway Improvement 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.

**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.

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.

**INFECTIOUS DISEASE OUTBREAK (COVID-19)** . . . The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”) which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”).

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, impose limitations on social gatherings and related activities. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of a governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble larger groups of people. Williamson County’s “stay home” order, which expired on April 30, 2020, did not prohibit homebuilding activity or the construction of utility facilities within the District. Many of the federal, state, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affect economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property values or homebuilding activity within the District. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.” The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of the dates and for periods largely prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District financial condition or its rating. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT” for the District’s current fund balances.

**NO CERTAINTY OF A SECONDARY MARKET** . . . Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

**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 20 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 20 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** . . . Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Taxable Assessed Valuation of property in the District after deducting exemptions is \$73,430,071. After issuance of the Bonds, the maximum annual debt service requirement is expected to be \$216,200 (2042), and

the average annual debt service requirement is expected to be \$213,449 (2021-2045, inclusive). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.3020 and \$0.2981 per \$100 of assessed valuation at a ninety-seven point five percent (97.5%) 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Estimated 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 Bond Order are limited. Although Texas law and the Bond 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 Bond Orders do 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.

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Order for the Tax-Exempt Bonds on a continuing basis prior to the maturity of the Tax-Exempt Bonds could result in interest on the Tax-Exempt 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.

## **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 opinions of Bond Counsel, with respect to the Bonds issued in compliance with the provisions of the Bond Order. The Forms of Bond Counsel's Opinions are 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," "DTC Redemption Provisions," "Remedies in Event of Default" and "Sources and Uses of Funds"), "LEGAL MATTERS," "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 Bond 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.

**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.

## **TAX MATTERS**

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated

as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar." This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS.

THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

*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 IRS. Payments of interest and principal may be subject to 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.

**TAX-EXEMPT BONDS . . . *Opinion.*** On the date of initial delivery of the Tax-Exempt Bonds, McCall, Parkhurst & Horton L.L.P., 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"), (1) for federal income tax purposes, interest on the Tax-Exempt Bonds will be excludable from the "gross income" of the holders thereof and (2) the Tax-Exempt 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 Code. Except as stated above, Bond Counsel to the District 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 C – Forms of Bond Counsel's Opinions."

In rendering its opinion, Bond Counsel to the District will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate related to the Tax-Exempt Bonds, and (b) covenants of the District contained in the Tax-Exempt Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds in order for interest on the Tax-Exempt 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 Tax-Exempt Bonds to be included in gross income retroactively to the date of issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel to the District 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 Tax-Exempt Bonds.

Bond Counsel's opinion regarding the Tax-Exempt Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion related to the Tax-Exempt

Bonds 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 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 Tax-Exempt Bonds.

A ruling was not sought from the IRS by the District with respect to the Tax-Exempt Bonds or property financed with the proceeds of the Tax-Exempt Bonds. No assurances can be given as to whether or not the IRS will commence an audit of the Tax-Exempt Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the Corporation as the taxpayer and the holders 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 Tax-Exempt 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”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any U.S. Holder who has purchased a Tax-Exempt Bond as an 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 U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (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 (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All U.S. Holders 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.* Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Tax-Exempt 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 Tax-Exempt 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.

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

**TAXABLE BONDS. . .** *Certain U.S. Federal Income Tax Consequences to U.S. Holders.* *Periodic Interest Payments and Original Issue Discount.* The Taxable Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Bonds or original issue discount, if any, accruing on the Taxable Bonds will be includable in “gross income”

within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

***Disposition of Taxable Bonds.*** An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Bonds. Generally, a U.S. Holder's tax basis in the Taxable Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Bonds has been held for more than one year.

***Defeasance of the Taxable Bonds.*** Defeasance of any Taxable Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

***State, Local and Other Tax Consequences.*** Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS

**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . .** A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

**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 Tax-Exempt 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 Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via its Electronic Municipal Market Access system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data to the MSRB annually.

The District will provide certain updated financial information to the MSRB within six months after the end of each fiscal year of the District ending in 2020 and after. The information to be updated annually with respect to the District includes (i) all quantitative financial information of the general type included in this Official Statement included under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT – Pro-Forma Debt Service Requirements,” and “TAX DATA” and financial statements of the District if audited financial statements are commissioned by the County and are then available and (ii) if audited financial statements have been commissioned and are not provided as part of such financial information, audited financial statements of the District, when available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (ii) audited, if the District commissions an audit of such financial statement and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. The District will provide the updated information in an electronic format, all as prescribed by the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, to such other account principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is 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 of the change.

**NOTICE OF CERTAIN EVENTS . . .** 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 a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 Bond Order make any provision for debt service reserve or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the term “Financial Obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under “– Annual Reports.” The District will provide each notice described in this “– Event Notices” caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**AVAILABILITY OF INFORMATION . . .** The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed with the MSRB pursuant to its Electronic Municipal Market Access (“EMMA”) System. The MSRB intends to make the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The District may amend its continuing disclosure agreement from time to time to adapt the 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 or the business of the Developer, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby 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 either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **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.

## **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 records, the County’s records, the Appraisal District, the Developer and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District or the Commissioners 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 Commissioners 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 Tax-Exempt Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an underwriting discount of \$ \_\_\_\_\_. The Underwriter will be obligated to purchase all of the Tax-Exempt Bonds if any Tax-Exempt Bonds are purchased. The Tax-Exempt Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Tax-Exempt Bonds into investment trusts) at prices lower than the public offering prices of such Tax-Exempt Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Taxable Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 4 hereof, less an underwriting discount of \$ \_\_\_\_\_. The Underwriter will be obligated to purchase all of the Taxable Bonds if any Taxable Bonds are purchased. The Taxable Bonds to be

offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Taxable Bonds into investment trusts) at prices lower than the public offering prices of such Taxable 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.

**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.

**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 Bond Orders 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 Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

**APPENDIX A**

**Forms of Bond Counsel's Opinions**

## **PHOTOGRAPHS**