

**ORDER  
AUTHORIZING THE ISSUANCE OF**

**\$10,000,000  
WILLIAMSON COUNTY, TEXAS  
LIMITED TAX NOTE  
SERIES 2008**

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**Adopted on September 9, 2008**

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**ORDER AUTHORIZING THE ISSUANCE OF WILLIAMSON COUNTY, TEXAS  
LIMITED TAX NOTE, SERIES 2008; LEVYING AN AD VALOREM TAX IN SUPPORT  
OF THE NOTE; APPROVING A PAYING AGENT/REGISTRAR AGREEMENT AND  
AN INVESTMENT AND COMMITMENT LETTER; AUTHORIZING OTHER  
MATTERS RELATING TO THE NOTE**

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**WHEREAS**, the Commissioners Court (the “Commissioners Court”) of Williamson County, Texas (the “County”) hereby finds and determines that it is necessary, useful and appropriate for the County’s public purposes to authorize and provide for the issuance and sale of a note of the County for the purposes hereinafter provided, as authorized by Chapter 1431, Texas Government Code, as amended; and

**WHEREAS**, the County Auditor has recommended the County issue the Note; and

**WHEREAS**, it is officially found, determined and declared that the meeting at which this Order has been adopted was open to the public and public notice of the date, hour, place and subject of said meeting, including this Order, was given, all as required by the applicable provisions of Tex. Gov’t Code Ann. Ch. 551; Now, Therefore

**BE IT ORDERED BY THE COMMISSIONERS COURT OF WILLIAMSON COUNTY, TEXAS:**

**ARTICLE I**

**DEFINITIONS AND OTHER PRELIMINARY MATTERS**

**Section 1.01. Definitions.**

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Order the following terms shall have the meanings specified below:

“Closing Date” means the date of the initial delivery of and payment for the Note.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

“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 Commissioners Court 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 Note is rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (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 Commissioners Court 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 Note, is rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Houston, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the County and such successor.

"Event of Default" means any Event of Default as defined in Section 10.01 of this Order.

"Federal Securities" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"Interest Payment Date" means the date or dates upon which interest on the Note is scheduled to be paid until maturity of the Note, such dates being February 15 and August 15 of each year commencing February 15, 2009.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 8.01(a)(i) of this Order.

"Note" means the County's Note entitled "Williamson County, Texas, Limited Tax Note, Series 2008" authorized to be issued by Section 3.01 of this Order.

"Order" means this Order.

"Original Issue Date" means the initial date which is designated in Section 3.02(a) of this Order.

"Owner" means the person who is the registered owner of the Note, as shown in the Register.

"Paying Agent/Registrar" means Regions Bank, Houston, Texas, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Order.

"Project Fund" means the fund established in Section 8.01(a)(ii) hereof.

"Purchaser" means the person, firm or entity purchasing the Note from the County and which is designated in Section 7.01 of this Order.

"Record Date" means the last business day of the month next preceding the Interest Payment Date.

“Register” means the Register specified in Section 3.06(a) of this Order.

“Special Payment Date” means the Special Payment Date prescribed by Section 3.03(b) of this Order.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of the principal of or interest on the Note as the same come due and payable and remaining unclaimed by the Owners of the Note for 90 days after the applicable payment date.

#### **Section 1.02. Other Definitions.**

The terms “Commissioners Court” and “County” shall have the respective meanings assigned in the preamble to this Order.

#### **Section 1.03. Findings.**

The declarations, determinations and findings declared, made and found in the preamble to this Order are hereby adopted, restated and made a part of the operative provisions hereof.

#### **Section 1.04. Table of Contents, Titles and Headings.**

The table of contents, titles and headings of the Articles and Sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Order or any provision hereof or in ascertaining intent, if any question of intent should arise.

#### **Section 1.05. Interpretation.**

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to.

## ARTICLE II

### SECURITY FOR THE NOTE; APPROPRIATION

#### Section 2.01. Tax Levy for Payment of the Note.

(a) The Commissioners Court hereby declares and covenants that it will provide and levy a tax legally and fully sufficient for payment of the Note, it having been determined that the existing and available taxing authority of the County for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding obligations of the County.

(b) In order to provide for the payment of the debt service requirements on the Note, being (i) the interest on the Note and (ii) a sinking fund for their payment at maturity or a sinking fund of two percent (whichever amount is the greater), there is hereby levied for the current year and each succeeding year thereafter, while the Note or interest thereon remain outstanding and unpaid, a tax within legal limitations on each \$100 valuation of taxable property in the County that is sufficient to pay such debt service requirements, full allowance being made for delinquencies and costs of collection.

(c) The tax levied by this Section shall be assessed and collected each year and applied to the payment of the debt service requirements on the Note, and the tax shall not be diverted to any other purpose.

#### Section 2.02. Perfection of Security Interest.

Chapter 1208, Government Code applies to the issuance of the Note and the pledge of the taxes granted by the County under Section 2.01 of this Order, and such pledge, therefore, is valid, effective, and perfected. If Texas law is amended at any time while the Note is outstanding and unpaid such that the pledge of the taxes granted by the County under Section 2.01 of this Order is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, then in order to preserve to the registered owners of the Note the perfection of the security interest in said pledge, the County agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

## ARTICLE III

### AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE NOTE

#### Section 3.01. Authorization.

The County's tax note to be designated "Williamson County, Texas, Limited Tax Note, Series 2008," is hereby authorized to be issued and delivered in accordance with the Constitution and laws

of the State of Texas, including particularly Chapter 1431, Texas Government Code, as amended, in the aggregate principal amount of \$10,000,000, for the purpose of paying contractual obligations incurred or to be incurred for (i) the construction of a public work; (ii) the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes; and (iii) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Note.

**Section 3.02. Date, Denomination, Maturity, Numbers and Interest.**

(a) The Note shall have the Original Issue Date of September 1, 2008, shall be in fully registered form, without coupons, and initially there shall be issued, sold, and delivered hereunder one fully registered Note, in the denomination of \$10,000,000, numbered from R-1 with any Note issued in replacement thereof being in the denomination and principal amount hereafter stated and numbered consecutively from R-2 upward, payable to the respective initial registered owners thereof (as designated in Section 7.01(a) hereof), or to the registered assignee or assignees of the Note or any portion or portions thereof, and the unpaid principal of the Note shall have a final maturity date of August 15, 2015, but shall be payable in installments on August 15 in each of the years and in the amounts, respectively, as set forth in the following schedule:

<b>Maturity Date</b>	<b>Principal Installment</b>
2009	\$1,320,000
2010	1,325,000
2011	1,370,000
2012	1,420,000
2013	1,470,000
2014	1,520,000
2015	1,575,000

(b) The Note shall bear interest on the unpaid balance of the principal amount thereof in the manner and from the date specified in the FORM OF NOTE set forth in this Order to the scheduled due date, or date of prepayment prior to the scheduled due date, of the principal installments of the Note at the rate of 3.340% per annum.

**Section 3.03. Medium, Method and Place of Payment.**

(a) The principal of, premium, if any, and interest on the Note shall be paid in lawful money of the United States of America as provided in this Section.

(b) Interest on the Note shall be payable to the Owners whose names appear in the Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due

interest (the "Special Payment Date", which shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Note appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest on the Note shall be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment by United States mail, first class postage prepaid, to the address of such person as it appears in the Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such other customary banking arrangements.

(d) The principal of each Note shall be paid to the person in whose name such Note is registered on the due date thereof upon presentation and surrender of such Note at the Designated Payment/Transfer Office.

(e) If a date for the payment of the principal of or interest on the Note is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

(g) Subject to Title 6, Texas Property Code, as amended, Unclaimed Payments remaining unclaimed for three years after the applicable payment or redemption date shall be paid by the Bank to the County, to be used for any lawful purpose. Thereafter, neither the County, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Note for any further payment of such unclaimed moneys or on account of any such Note, subject to any applicable escheat, abandoned property, or similar law.

#### **Section 3.04. Execution and Initial Registration.**

(a) The Note shall be executed on behalf of the County by the County Judge and County Clerk of the County, by their manual or facsimile signatures, and the official seal of the County shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Note shall have the same effect as if the Note had been signed manually and in person by each of said officers, and such facsimile seal on the Note shall have the same effect as if the official seal of the County had been manually impressed upon the Note.

(b) In the event that any officer of the County whose manual or facsimile signature appears on the Note ceases to be such officer before the authentication of such Note or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Note shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Note of Paying Agent/Registrar on all of the Note. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Note delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Note has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the County, and has been registered by the Comptroller.

(d) On the Closing Date, one Note representing the entire principal amount of the Note, payable in stated installments to the Purchaser or its designee, executed by manual or facsimile signature of the County Judge and County Clerk of the County, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Purchaser.

(e) On the Closing Date, the Paying Agent/Registrar shall insert such Closing Date on the Note and, thereafter, on each Note delivered in exchange for a Note under the column designated "Closing Date."

### **Section 3.05. Ownership.**

(a) The County, the Paying Agent/Registrar and any other person may treat the person in whose name any Note is registered as the absolute owner of such Note for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Note is registered on the Record Date), and for all other purposes, whether or not such Note is overdue, and neither the County nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the Owner of any Note in accordance with this Section shall be valid and effectual and shall discharge the liability of the County and the Paying Agent/Registrar upon such Note to the extent of the sums paid.

### **Section 3.06. Registration, Transfer and Exchange.**

(a) So long as any Note remains outstanding, the County shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Note in accordance with this Order and subject to the limitations described in the Form of Note in Section 6.02, herein.

(b) Registration of any Note may be transferred in the Register only upon the presentation and surrender thereof at the Designated Payment/Transfer Office for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of the Note, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and the right of such assignee or assignees thereof to have the Note or any portion thereof registered in the name of such assignee or assignees. No transfer of any Note shall be effective until entered in the Register. Upon assignment and transfer of any Note or portion thereof, a new Note or Notes will be issued by the Paying Agent/Registrar in conversion and exchange for such transferred and assigned Note. To the extent possible the Paying Agent/Registrar will issue such new Note or Notes in not more than three business days after receipt of the Note to be transferred in proper form and with proper instructions directing such transfer.

(c) Any Note may be converted and exchanged only upon the presentation and surrender thereof at the Designated Payment/Transfer Office, together with a written request therefor duly executed by the registered owner or assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantees of signatures satisfactory to the Paying Agent/Registrar, for a Note or Notes of the same maturity and interest rate and in any authorized denomination and in an aggregate principal amount equal to the unpaid principal amount of the Note presented for exchange. To the extent possible, a new Note or Notes shall be delivered by the Paying Agent/Registrar to the registered owner of the Note or Notes in not more than three business days after receipt of the Note to be exchanged in proper form and with proper instructions directing such exchange.

(d) Each Note issued in exchange for any Note or portion thereof assigned, transferred or converted shall have the same principal maturity date and bear interest at the same rate as the Note for which it is being exchanged. Each substitute Note shall bear a letter and/or number to distinguish it from each other Note. The Paying Agent/Registrar shall convert and exchange the Note as provided herein, and each substitute Note delivered in accordance with this Section shall constitute an original contractual obligation of the County and shall be entitled to the benefits and security of this Order to the same extent as the Note or Notes in lieu of which such substitute Note is delivered.

(e) The County will pay the Paying Agent/Registrar's reasonable and customary charge for the initial registration or any subsequent transfer, exchange or conversion of Notes, but the Paying Agent/Registrar will require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, exchange or conversion of a Note. In addition, the County hereby covenants with the Owners of the Note that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Note, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer, registration, conversion and exchange of Notes as provided herein.

(f) Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Note called for redemption, in whole or in part, within 45 days of the date fixed for

redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled balance of a Note.

**Section 3.07. Cancellation and Authentication.**

(a) If paid before scheduled maturity in accordance with this Order, and any Note in lieu of which an exchange Note or replacement Notes are authenticated and delivered in accordance with this Order, shall be canceled and destroyed upon the making of proper records regarding such payment, exchange or replacement. The Paying Agent/Registrar shall periodically furnish the County with certificates of destruction of such Note.

(b) Each substitute Note issued pursuant to the provisions of Sections 3.06 and 3.09 of this Order, in conversion of and exchange for or replacement of any Note or Notes issued under this Order, shall have printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form hereinafter set forth. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, manually sign and date such Certificate, and no such Note shall be deemed to be issued or outstanding unless such Certificate is so executed. No additional ordinances, orders, or resolutions need be passed or adopted by the Commissioners Court or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Note or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Notes in the manner prescribed herein, and said Notes shall be of customary type and composition. Pursuant to Title 9, Tex. Gov't Code Ann., as amended, and particularly Chapter 1201, Subchapter D thereof, the duty of conversion and exchange or replacement of Notes as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Notes shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Note which was originally delivered pursuant to this Order, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(c) A Note issued in conversion and exchange or replacement of any other Note or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Note to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for another Note, (iv) shall have the characteristics, (v) shall be signed and sealed, and (vi) shall be payable as to principal of and interest, all as provided, and in the manner required or indicated, in the Form of Note set forth in this Order.

**Section 3.08. Replacement Notes.**

(a) Upon the presentation and surrender to the Paying Agent/Registrar, at the Designated Payment/Transfer Office, of a mutilated Note, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Note of like tenor and principal amount, bearing a number not contemporaneously outstanding. The County or the Paying Agent/ Registrar may require the Owner of such Note to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected herewith.

(b) In the event that any Note is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Note has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Note of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Note;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the County to save them harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the County and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the County and the Paying Agent/Registrar shall be entitled to recover such replacement Note from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the County or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Note has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Note, may pay such Note.

(e) Each replacement Note delivered in accordance with this Section shall constitute an original contractual obligation of the County and shall be entitled to the benefits and security of this Order to the same extent as the Note or Notes in lieu of which such replacement Note is delivered.

## **ARTICLE IV**

### **REDEMPTION OF NOTE BEFORE MATURITY**

#### **Section 4.01. Limitation on Redemption.**

The Note shall be subject to redemption before scheduled maturity only as provided in this Article IV.

**Section 4.02. Redemption of Note Prior to Maturity.**

The Note is subject to prepayment as provided in Section 6.02 Form of Note.

**Section 4.03. Notice of Redemption to Owners.**

(a) If the Purchaser is not the sole Owner of the Note, the Paying Agent/Registrar shall give notice of any redemption of the Note by sending notice by United States mail, first class postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of the Note (or part thereof) to be redeemed, at the address shown on the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Note is to be surrendered for payment, and, if applicable, an identification of the Note to be redeemed.

(c) At all times while the Purchaser is the Owner of the entire outstanding principal amount of the Note according to the Register, but only at such times, written notice of any redemption of Note shall be given by the County to the Purchaser not less than 30 days before the date fixed for redemption by (i) personal delivery of such notice to the Purchaser at its address appearing on the Register or at its principal corporate office, or (ii) deposit of such notice in the United States mail, first class postage prepaid, addressed to the Purchaser at either such address. Each such notice of redemption shall state the redemption date, the redemption price and, if applicable, the principal amounts of each maturity of the Note to be redeemed. Any notice of redemption given to the Purchaser in the manner provided by this subsection (c) shall be deemed sufficient and complete notwithstanding the provisions of Sections 4.02 and 4.04 hereof, or the provisions of the Note, with respect to notices of redemption of the Note.

(d) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

**Section 4.04. Payment Upon Redemption.**

(a) On or before each redemption date, the Paying Agent/Registrar shall make provision for the payment of the Note to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the County sufficient to pay the principal of, premium, if any, and accrued interest on such Note.

(b) Upon presentation and surrender of any Note called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, premium, if any, and accrued interest on such Note to the date of redemption from the money set aside for such purpose.

**Section 4.05. Effect of Redemption.**

(a) Notice of redemption having been given as provided in Section 4.04 of this Order, the Note called for redemption shall become due and payable on the date fixed for redemption and, unless the County defaults in the payment of the principal thereof, premium, if any, or accrued interest thereon, such Note shall cease to bear interest from and after the date fixed for redemption, whether or not such Note is presented and surrendered for payment on such date.

(b) If any Note called for redemption is not so paid upon presentation and surrender of such Note for redemption, such Note shall continue to bear interest at the rate stated on the Note until paid or until due provision is made for the payment of same.

**ARTICLE V**

**PAYING AGENT/REGISTRAR**

**Section 5.01. Appointment of Initial Paying Agent/Registrar.**

(a) The County hereby appoints Regions Bank, Houston, Texas, as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the County and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfer and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the Owners and record in the Register the address of such Owner of each Note to which payments with respect to the Note shall be mailed, as provided herein. The County or its designee shall have the right to inspect the Register during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) The County hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Note. The Paying Agent/Registrar shall keep proper records of all payments made by the County and the Paying Agent/Registrar with respect to the Note, and of all conversions, exchanges and replacements of such Note, as provided in this Order.

(c) The execution and delivery of a Paying Agent/Registrar Agreement, specifying the duties and responsibilities of the County and the Paying Agent/Registrar, is hereby approved with such changes as may be approved by the County Judge of the County, and the County Judge and County Clerk of the County are hereby authorized to execute such agreement.

**Section 5.02. Qualifications.**

Each Paying Agent/Registrar shall be (i) a commercial bank, trust company, or other entity duly qualified and legally authorized under applicable law, (ii) authorized under such laws to exercise

trust powers, (iii) subject to supervision or examination by a federal or state governmental authority, and (iv) a single entity.

**Section 5.03. Maintaining Paying Agent/Registrar.**

(a) At all times while any Note is outstanding, the County will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Order.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the County will promptly appoint a replacement.

**Section 5.04. Termination.**

The County reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the County (i) giving notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar.

**Section 5.05. Notice of Change to Owners.**

Promptly upon each change in the entity serving as Paying Agent/Registrar, the County will cause notice of the change to be sent to each Owner by United States mail, first class postage prepaid, at the address in the Register, stating the effective date of the change and the name of the replacement Paying Agent/Registrar and the mailing address of its Designated Payment/Transfer Office.

**Section 5.06. Agreement to Perform Duties and Functions.**

By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Order and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

**Section 5.07. Delivery of Records to Successor.**

If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Note to the successor Paying Agent/Registrar.

## ARTICLE VI

### FORM OF THE NOTE

#### Section 6.01. Form Generally.

(a) The Note, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on the Note, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the County or by the officers executing such Note, as evidenced by their execution thereof.

(b) Any portion of the text of any Note may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Note.

(c) The Note shall be printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other manner, all as determined by the officers executing such Note, as evidenced by their execution thereof.

#### Section 6.02. Form of Note.

The form of Note, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Note, shall be substantially as follows:

(a) [Form of Note]

**REGISTERED**

**REGISTERED**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**WILLIAMSON COUNTY, TEXAS  
LIMITED TAX NOTE, SERIES 2008**

<b>INTEREST RATE</b>	<b>FINAL MATURITY DATE</b>	<b>ORIGINAL ISSUE DATE</b>	<b>CLOSING DATE</b>
<b>3.340%</b>	<b>February 15, 2015</b>	<b>September 1, 2008</b>	<b>September 29, 2008</b>

The Williamson County, Texas (the "County"), for value received, hereby promises to pay to

---

or registered assigns, on August 15 in the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<b>Years</b>	<b>Principal Installments</b>	<b>Interest Rates</b>
2009		
2010		
2011		
2012		
2013		
2014		
2015		

the sum of

### **TEN MILLION DOLLARS**

and to pay interest on such principal amount outstanding from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for to the final maturity specified above, or the date of prepayment prior to maturity, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year commencing February 15, 2009.

The principal of this Note shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Note at the office in Houston, Texas (the "Designated Payment/Transfer Office"), of the Paying Agent/Registrar executing the registration certificate appearing hereon, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Note is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. For the purpose of the payment of interest on this Note, the registered owner shall be the person in whose name this Note is

registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Note appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Note is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Note is a fully registered note as specified in the title hereof issued in the aggregate principal amount of \$10,000,000 (herein referred to as the "Note"), issued pursuant to a certain Order of the Commissioners Court of the County (the "Order") for the purpose of paying contractual obligations incurred or to be incurred for (i) the construction of a public work; (ii) the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes; and (iii) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Note.

The Note and the interest thereon are payable from the levy of a direct and continuing ad valorem tax, within the limit prescribed by law, against all taxable property in the County.

The County has reserved the option to prepay the Notes. The Note may be prepaid at any time prior to its scheduled maturity, at the option of the County with funds derived from any available and lawful source, as a whole, or from time to time in part, and, if in part, the particular principal installments or portions thereof to be prepaid shall be selected and designated by the County.

The Notes may be prepaid on any date at an amount equal to the principal then outstanding plus accrued interest to the date of redemption plus the prepayment premium equal to the "Annual Yield Differential" (as defined below) multiplied by the "Percent Being Prepaid" (as defined below), multiplied by the "Average Remaining Outstanding Principal Amount" prepaid (as defined below) multiplied by then umber of days from the date Purchaser received the prepayment (the "Prepayment Date") through the date on which the final payment is due (the "Maturity Date"), divided by 360.

The "Annual Yield Differential" is the different \*but not less than zero) between the U.S. Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final

maturity of the note at origination, and the U.S. Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at the date of prepayment. The "Average Remaining Outstanding Principal Amount" of the Note is defined as the simple average of the existing principal balance at the date of prepayment and the balance due at the maturity date. The "Percent Being Prepaid" shall be determined by dividing the principal amount being prepaid by the existing principal loan amount.

Notice of such prepayment or prepayments shall be sent by United States mail, first class postage prepaid, not less than 30 days before the date fixed for prepayment, to the registered owner of the Note to be prepaid in whole or in part. Notice having been so given, the Note or portions thereof designated for prepayment shall become due and payable on the prepayment date specified in such notice, and from and after such date, notwithstanding that the Note or portions thereof so called for prepayment shall not have been surrendered for payment, interest on such Note or portions thereof shall cease to accrue.

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

Upon the prepayment or partial prepayment of this Note, the Paying Agent/Registrar, shall note in the Prepayment Record appearing on this Note the amount of such prepayment or partial prepayment, the date said payment was made and the remaining unpaid principal balance of this Note and shall then have said entry signed by an authorized official of the Paying Agent/Registrar. The Paying Agent/Registrar shall also record such information in the Register, and the Paying Agent/Registrar shall also record in the Register all payments of principal installments on such Note when made on their respective due dates.

As provided in the Order, and subject to certain limitations therein set forth, this Note is transferable upon surrender of this Note for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Note of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Note called for redemption, in whole, or in part, within 45 days of the date fixed for redemption;

provided, however, such limitation shall not be applicable to an exchange by the holder of the uncalled balance of a Note.

The County, the Paying Agent/Registrar, and any other person may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Note is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Note be overdue, and neither the County nor the Paying Agent/Registrar shall be affected by notice to the contrary.

It is hereby certified and recited that the issuance of this Note and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Note have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the County, including the Note, does not exceed any constitutional or statutory limitation.

**IN WITNESS WHEREOF**, this Note has been duly executed on behalf of the County, under its official seal, in accordance with law.

\_\_\_\_\_  
County Clerk  
Williamson County, Texas

\_\_\_\_\_  
County Judge  
Williamson County, Texas

[COMMRS. CT. SEAL]

(b) [Form of Certificate of Paying Agent/Registrar]

**CERTIFICATE OF PAYING AGENT/REGISTRAR**

This is the Note referred to in the within mentioned Order. The series of Notes of which this Note is a part was originally issued as one Note which was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

**REGIONS BANK,**  
as Paying Agent/Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(c) [Form of Assignment]

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_ (Social Security or other identifying number: \_\_\_\_\_) the within Note and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Note on the books kept for registration hereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

Signature Guaranteed By:

\_\_\_\_\_  
Authorized Signatory

(ii) The following Registration Certificate of Comptroller of Public Accounts shall appear on the initial Note in lieu of the Certificate of Paying Agent/Registrar:

### REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER  
OF PUBLIC ACCOUNTS

§  
§  
§  
§

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Note, and that this Note has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this \_\_\_\_\_.

[SEAL]

Comptroller of Public Accounts  
of the State of Texas

**PREPAYMENT RECORD**

<b>Date of Payment</b>	<b>Principal Prepayment (amount and installment(s) to which payment is applied)</b>	<b>Remaining Principal Balance</b>	<b>Name and Title of Authorized Officer making Entry</b>	<b>Signature of Authorized Officer</b>

**ARTICLE VII**

**SALE OF THE NOTE;  
CONTROL AND DELIVERY OF THE NOTES; AND FINANCIAL REPORTING**

**Section 7.01. Sale of Note.**

(a) The Note is hereby officially sold and awarded to Compass Bank in accordance with the terms and provisions of that certain Investment Letter relating to the Note between the County and the Purchaser and dated the date of the passage of this Order. The form and content of such Investment and Commitment Letter is hereby approved, and the County Judge of the County is hereby authorized and directed to execute and deliver such Letter. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable. The Note shall initially be registered in the name of the Purchaser or its designee.

(b) All officers of the County are authorized to take such actions and to execute such documents, certificates and receipts as they may deem necessary and appropriate in order to consummate the delivery of the Note.

(c) The obligation of the Purchaser to accept delivery of the Note is subject to the Purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel for the County, which opinion shall be dated as of and delivered on the Closing Date.

**Section 7.02. Control and Delivery of Notes.**

(a) The County Judge of the County is hereby authorized to have control of the initial Note and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Notes shall be made to the Purchaser under and subject to the general supervision and direction of the County Judge of the County, against receipt by the County of all amounts due to the County under the terms of sale.

**Section 7.03. Financial Reporting.**

While the Note remains outstanding, unless waived by the Purchaser, the County shall provide the following to the Purchaser:

(i) Audited financial statements, to be provided within 270 days after the close of each County fiscal year; and

(ii) Such other financial information regarding the County as the Purchaser shall reasonably request.

**ARTICLE VIII**

**CREATION OF FUNDS AND ACCOUNTS;  
DEPOSIT OF PROCEEDS; INVESTMENTS**

**Section 8.01. Creation of Funds.**

(a) The County hereby establishes the following special funds or accounts:

(i) the Williamson County, Texas, Limited Tax Note, Series 2008, Interest and Sinking Fund (the "Interest and Sinking Fund"); and

(ii) the Williamson County, Texas, Limited Tax Note, Series 2008, Project Fund (the "Project Fund").

(b) The Interest and Sinking Fund and Project Fund shall be maintained at an official depository of the County.

**Section 8.02. Interest and Sinking Fund.**

(a) The taxes levied under Section 2.01 of this Order shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Note.

(b) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Note as such become due and payable.

**Section 8.03. Security of Funds.**

All moneys on deposit in the funds referred to in this Order shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Order.

**Section 8.04. Deposit of Proceeds.**

(a) Proceeds from the sale of the Notes received on the Closing Date shall be deposited to the Project Fund, such moneys to be dedicated and used for the purposes specified in Section 3.01 hereof and for paying the costs of issuance with respect to the Note.

(b) Any proceeds of the Note that are not required for the purposes for which the Notes are issued shall be deposited to the Interest and Sinking Fund.

**Section 8.05. Investments.**

(a) Proceeds of the Note and money in the Interest and Sinking Fund, at the option of the County, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

**Section 8.06. Investment Income.**

Interest and income derived from investment of any fund created by this Order shall be credited to such fund.

## ARTICLE IX

### PARTICULAR REPRESENTATIONS AND COVENANTS

#### **Section 9.01. Payment of the Note.**

While the Note is outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay the interest on and the principal of the Note, as applicable, as will accrue or mature on each applicable Interest Payment Date.

#### **Section 9.02. Other Representations and Covenants.**

(a) The County will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Order and in each Note; the County will promptly pay or cause to be paid the principal of, interest on, and premium, if any, with respect to, each Note on the dates and at the places and manner prescribed in such Note; and the County will, at the times and in the manner prescribed by this Order, deposit or cause to be deposited the amounts of money specified by this Order.

(b) The County is duly authorized under the laws of the State of Texas to issue the Notes; all action on its part for the creation and issuance of the Notes has been duly and effectively taken; and the Notes in the hands of the Owners thereof are and will be valid and enforceable obligations of the County in accordance with their terms.

#### **Section 9.03. Covenants Regarding Tax Exemption of Interest on the Note.**

(a) Covenants. The County covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Notes as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the County covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Note or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the County, with respect to such private business use, do not, under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Note, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the “private business use” described in subsection (1) hereof exceeds 5 percent of the proceeds of the Notes or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a “private business use” which is “related” and not “disproportionate,” within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Note (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Notes being treated as “private activity bonds” within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Notes being “federally guaranteed” within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Notes, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Note, other than investment property acquired with

(A) proceeds of the Note invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Notes are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Note;

(7) to otherwise restrict the use of the proceeds of the Note or amounts treated as proceeds of the Note, as may be necessary, so that the Note do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Note) an amount that is at least equal to 90 percent of the “Excess Earnings,” within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Notes have been paid in full, 100

percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a “Rebate Fund” is hereby established by the County for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The County understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Note. It is the understanding of the County that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Note, the County will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Notes under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Note, the County agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Notes under section 103 of the Code. In furtherance of such intention, the County hereby authorizes and directs the County Judge to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the County, which may be permitted by the Code as are consistent with the purpose for the issuance of the Note.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The County covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 3.01 of this Order (the “Project”) on its books and records in accordance with the requirements of the Code. The County recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the County recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Note, or (2) the date the Note is retired. The County agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Note. For purposes of this subsection, the County shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) **Disposition of Project.** The County covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the County of cash or other compensation, unless the County obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Note. For purposes of this subsection, the portion of the property comprising personal property and disposed of in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this subsection, the County shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) **Designation as Qualified Tax-Exempt Obligations.** The County hereby designates the Note as “qualified tax-exempt bonds” as defined in section 265(b)(3) of the Code. In furtherance of such designation, the County represents, covenants and warrants the following: (a) that during the calendar year in which the Note is issued, the County (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Note, will result in more than \$10,000,000 of “qualified tax-exempt obligations” being issued; (b) that the County reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Note is issued, by the County (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the County will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Note will not be considered “private activity bonds” within the meaning of section 141 of the Code.

## **ARTICLE X**

### **DEFAULT AND REMEDIES**

#### **Section 10.01. Events of Default.**

Each of the following occurrences or events for the purpose of this Order is hereby declared to be an “Event of Default,” to-wit:

(i) the failure to make payment of the principal of or interest on the Note when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the County, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the County.

### **Section 10.02. Remedies for Default.**

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the County for the purpose of protecting and enforcing the rights of the Owners under this Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of the Note then outstanding.

### **Section 10.03. Remedies Not Exclusive.**

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Note or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Order, the right to accelerate the debt evidenced by the Notes shall not be available as a remedy under this Order.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

## **ARTICLE XI**

### **DEFEASANCE AND REFUNDING**

#### **Section 11.01. Defeasance of Note.**

(a) Any Note and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Note") within the meaning of this Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Note, plus interest thereon to the due date or dates (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 the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar 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, certified by an independent public accounting firm of national reputation to 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 and when proper arrangements have been made by the County with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until

all Defeased Notes shall have become due and payable or (3) any combination of (1) and (2). At such time as a Note shall be deemed to be a Defeased Note hereunder, as aforesaid, such Note and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Note as aforesaid when proper notice of redemption of such Notes shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Commissioners Court also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Note and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the Commissioners Court.

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

(d) Notwithstanding anything elsewhere in this Order, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Notes and such Notes shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Note affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Note to be paid at its maturity, the County retains the right under Texas law to later call that Defeased Note for redemption in accordance with the provisions of this Order, the County may call such Defeased Note for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Note as though it was being defeased at the time of the exercise of the option to redeem the Defeased Note and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Note.

## ARTICLE XII

### AMENDMENTS; FURTHER PROCEDURES; SEVERABILITY; AND PAYMENT OF ATTORNEY GENERAL FEE

#### Section 12.01. Amendments.

This Order shall not be amended or repealed by the County while any Note remains outstanding, except as permitted by this Section. The County, without the consent of or notice to any Owner, from time to time and at any time, may amend this Order in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the County, with the written consent of Owners holding a majority in aggregate principal amount of the Note then outstanding affected thereby, may amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Owners of then outstanding Note, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Note, reduce the principal amount thereof, redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Note, (ii) give any preference to any Note over any other Note, or (iii) reduce the aggregate principal amount of Note required for consent to any such amendment, addition, or rescission.

#### Section 12.02. Further Procedures.

The officers and employees of the County are hereby authorized and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of and under the corporate seal of the County all such instruments, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Order, the initial sale and delivery of the Note, the Paying Agent/Registrar Agreement, and the Investment and Commitment Letter. In addition, prior to the initial delivery of the Note, the County Judge and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Order or to any of the instruments authorized and approved by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Order and (ii) obtain the approval of the Note by the Attorney General of Texas. In the event that any officer of the County whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

#### Section 12.03. Severability.

If any section, article, paragraph, sentence, clause, phrase or word in this Order, or application thereof to any person or circumstance is held to be invalid or unenforceable, the remainder of this Order and the application of such section, article, paragraph, sentence, clause, phrase or word to


other persons and circumstances nevertheless shall be valid and enforceable; and it is hereby declared that this Order would have been enacted without such invalid or unenforceable provision.

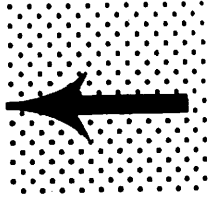
**Section 12.04. Payment of Attorney General Fee.**

The County hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Note or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the County's staff is hereby instructed to take the necessary measures to make this payment. The County is also authorized to reimburse the appropriate County funds for such payment from proceeds of the Note.

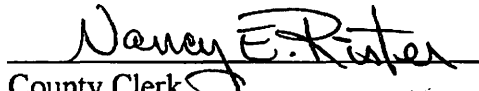
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**FINALLY PASSED, APPROVED AND EFFECTIVE** this 9th day of September, 2008.

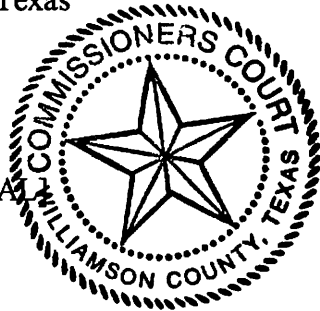
  
County Judge  
Williamson County, Texas



**ATTEST:**

  
County Clerk  
Williamson County, Texas

[COMMRS. CT. SEAL]



Honorable County Judge and Commissioners Court  
Williamson County, Texas  
710 Main Street, Suite 101  
Georgetown, Texas 78626

McCall, Parkhurst & Horton L.L.P.  
600 Congress Avenue, Suite 1800  
Austin, Texas 78701

First Southwest Company  
300 West 6<sup>th</sup> Street, Suite 1940  
Austin, Texas 78701

Re: Williamson County, Texas Limited Tax Note, Series 2008 (the "Note")

The undersigned, Compass Bank (the "Bank"), being a financial institution, to-wit: a bank within the definition of section 3(a)(2) of the Securities Act of 1933, engaged in the business of purchasing securities such as the Note described above (the "Note"), to be issued by Williamson County, Texas (the "County") for the purpose of paying contractual obligations incurred or to be incurred for (i) the construction of a public work; (ii) the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes; and (iii) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Note.

The Note is to be issued under the authority of Chapter 1431, Texas Government Code, as amended. The Bank understands that the Note will be secured by a levy of an annual ad valorem tax, within the limits prescribed by law, upon all taxable property within the County.

The Bank further understands that the Note will be approved by the Attorney General of the State of Texas, and will be delivered in the form of one fully-registered Note in the denomination of the aggregate principal amount thereof, which will be made payable to the order of the Bank.

In connection with the Note, the Bank agrees as follows:

- A. The Bank will purchase the Note, which shall be delivered to the Bank on or about September 29, 2008. The interest rate on the Note shall be 3.340% per annum. The first interest payment date for the Note shall be February 15, 2009, with interest payable on each February 15 and August 15 thereafter until maturity or prior

redemption. Principal of the Note will be payable in annual installments, or upon redemption at the option of the Issuer, under the terms and conditions described below. The purchase price for the Note shall be the principal amount thereof. Interest on the Note will accrue from the date of initial delivery. Annual principal installment payments shall be made to the registered owner of the Note on August 15 of each the years, and in the amounts, shown below:

<u>Year</u>	<u>Principal Amount</u>
2009	\$1,320,000
2010	1,325,000
2011	1,370,000
2012	1,420,000
2013	1,470,000
2014	1,520,000
2015	1,575,000

- B. It is understood and agreed that the principal installments of the Note are subject to prepayment at the option of the Issuer at any time prior to the scheduled maturities the Prepayment Fee (as set forth in the Order).
- C. The Note will be fully registered as to principal and interest, and the Bank shall serve as the initial paying agent and registrar for the Note without charge to the County, except for the reimbursement of any reasonable expenditures incurred by the Bank in the capacity of paying agent and registrar.
- D. In regard to the offering and sale of the Note, the Bank acknowledges that no prospectus or other offering document has been prepared; however, the County has furnished the Bank with all information necessary and requested by the Bank to permit the Bank to make an informed decision concerning its purchase of the Note, and the Bank has made such inspections and investigations as it has deemed necessary to determine the investment quality of the Note and to assess all risk factors associated with the purchase and ownership of the Note. The Bank hereby acknowledges and represents that it is familiar with the financial condition of the County and the ability of the County to timely pay the principal of and interest on the Note. The Bank is not relying on First Southwest Company or McCall, Parkhurst & Horton L.L.P., the County's Bond Counsel, as to the completeness or accuracy of any financial information provided to the Bank by the County in connection with its determination to purchase the Note.
- E. The Note is being purchased by the Bank for the account of the Bank (and not on behalf of another), and the Bank has no present intention of reselling the Note or dividing its interest therein, either currently or after the passage of a fixed or determinable period of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance; provided, however that the Bank reserves the right to sell, pledge, transfer, convey, hypothecate, participate interests in, or dispose

of the Note at some future date, but only to persons who have been provided sufficient information with which to make an informed decision to invest in the Note. The Note may be transferred and registered in the name of the new registered owner in whole but not in part.

- F. Delivery of the Note to the Bank (the "Closing") shall be made at the Bank on or about September 29, 2008, it being understood that this agreement may be extended by mutual consent of the Bank and the Issuer.
- G. The Bank acknowledges that the Note will not be rated by any securities rating service. In addition, the Bank acknowledges that the Note will not be listed on any securities exchange. Further, no trading market now exists in the Note, and none may exist in the future. Accordingly, the Bank understands that it may need to bear the risks of this purchase for an indefinite time, since any sale prior to the maturity for the Note may not be possible or may be at a price below that which the Bank is paying for the Note.
- H. It is understood and agreed that the Bank is buying the Note as evidence of a private placement by the County to the Bank and a negotiated bank loan. The Note is exempt from any federal securities registration requirements by virtue of Section 3(a)(2) of the Securities Act of 1933. The offering of the Note is exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"); consequently the County has not undertaken to make any on-going disclosures for the benefit of the registered owner of the Note in accordance with the Rule.
- I. The County will designate the Note as a "qualified tax-exempt obligation" within the meaning of section 265(b) of the Internal Revenue Code. In furtherance of that designation, in the Order authorizing the Note, the County will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Note as a "qualified tax-exempt obligation."
- J. This agreement shall be terminated by delivery of a \$10,000,000 principal amount Note to the Bank at the date of Closing, provided that the representations of the Bank in D. above, shall survive the termination hereof. As a condition to the purchase of the Note, the Bank shall receive at the Closing an opinion of Bond Counsel in substantially the form attached hereto as Exhibit A. In addition, the Bank shall receive, at the Closing, an opinion of the Attorney General of the State of Texas to the effect that the Note has been lawfully issued by the County and is a valid and binding obligation of the County under applicable laws of the State of Texas.

Respectfully submitted,

**COMPASS BANK**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## ACCEPTANCE

**ACCEPTED** pursuant to an order adopted by the Commissioners Court of Williamson County, Texas, this September 9, 2008.

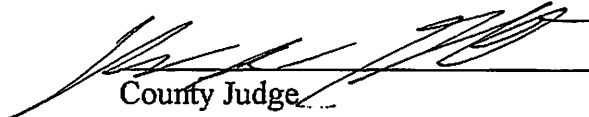
  
\_\_\_\_\_  
County Judge  
Williamson County, Texas



Exhibit A

Form of Opinion of Bond Counsel

(date)

Honorable County Judge and Commissioners Court  
Williamson County, Texas  
710 Main Street, Suite 101  
Georgetown, Texas 78626

Moses Luevano  
Compass Bank  
3003 Williams Drive, 2<sup>nd</sup> Floor  
Georgetown, Texas 78628

Re: \$10,000,000 Williamson County, Texas, Limited Tax Note, Series 2008

As Bond Counsel for Williamson County, Texas (the "County") of the note described above (the "Note"), we have examined into the legality and validity of the Note, which bears interest from the dates specified in the text of the Note, until maturity or redemption, at the rates and payable on the dates specified in the text of the Note and in the Order of the County adopted on September 9, 2008 authorizing the issuance of the Note (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, and certified copies of the proceedings of the County, and other documents authorizing and relating to the issuance of the Note, including the executed Note (Note Number R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Note has been authorized, issued and delivered in accordance with law; and that said Note, except the enforceability thereof as may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, the Note constitute valid and legally binding obligations of the County; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Note has been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Order.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Note is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Note is not a "specified private activity bond" and that, accordingly, interest on the Note will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of

which we have not independently verified, and assume compliance by the County with certain covenants, regarding the use and investment of the proceeds of the Note and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the County to comply with such covenants, interest on the Note may become includable in gross income retroactively to the date of issuance of the County.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Note. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County as the taxpayer. We observe that the County has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Note as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Note. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Note will be included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by Section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Note is as Bond Counsel for the County, and, in that capacity, we have been engaged by the County for the sole purpose of rendering an opinion with respect to the legality and validity of the Note under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Note for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the County, or the disclosure thereof in connection with the sale of the Note, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Note and have relied solely on certificates executed by officials of the County as to the current outstanding indebtedness of the County, the assessed valuation of taxable property within the County and the sufficiency of the pledged tax revenues of the County.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

## GENERAL AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS

§

COUNTY OF WILLIAMSON

§

§

We, the undersigned elected officials of the County, hereby certify as follows:

### GENERAL

1. This certificate is executed for and on behalf of the County, for the benefit of the Attorney General of the State of Texas and for the benefit of the Purchaser in connection with the issuance of the Note. The words and terms used herein shall have the meanings whenever they are used given in Exhibit "A" attached hereto.

2. Any certificate signed by an official of the County delivered to the Purchaser or the Attorney General of the State of Texas shall be deemed a representation and warranty by the County as to the statement made therein. The Public Finance Division of the Office of the Attorney General of the State of Texas is hereby authorized to date this certificate as of the date of approval of the Bonds and is entitled to rely upon the accuracy of the information contained herein unless notified by telephone or fax to the contrary. The Comptroller of Public Accounts is further authorized to register the Note upon receipt of the Attorney General approval. After registration, the Note, opinions and registration papers shall be delivered to C.D. Polumbo at McCall, Parkhurst & Horton L.L.P.

### MATTERS RELATING TO THE COUNTY

3. We officially executed and signed the Note with our manual signatures or by causing facsimiles of our manual signatures to be imprinted or copies on the Note, and, if appropriate, we hereby adopt said facsimile signatures as our own, respectively, and declare that the facsimile signatures constitute our signatures the same as if we had manually signed the Note.

4. The Note is substantially in the form, and has been duly executed and signed in the manner prescribed in the Order.

5. At the time we so executed and signed the Note we were, and at the time of executing this certificate we are, the duly chosen, qualified and acting officers indicated therein, and authorized to execute the same.

6. No litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of the Note, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Note, and that so far as we know and believe no such litigation is threatened.

7. Neither the corporate existence nor boundaries of the County is being contested, no litigation has been filed or is now pending which would affect the authority of the officers of the County to issue, execute, sign, and deliver the Note, and no authority or proceedings for the issuance of the Note has been repealed, revoked or rescinded.

8. We have caused the official seal of the County to be impressed, or printed, or copied on the Note and said seal on the Note has been duly adopted as, and is hereby declared to be, the official seal of the County.

9. The currently outstanding tax debt of the County and the proposed Note is set forth in Exhibit "B" attached hereto.

10. The true and correct schedule showing the annual requirements of all the outstanding limited tax indebtedness of the County, together with the proposed Note, is set forth in Exhibit "C" hereto.

11. The currently effective ad valorem tax rolls of the County are those for the year 2008, being the most recently approved tax rolls of the County; that the taxable property in the County has been assessed as required by law; that the Tax Assessor of the County has duly verified the aforesaid tax rolls, and that the assessed value of taxable property in the County upon which the annual ad valorem tax of the County has been levied (after deducting the amount of all exemptions, if any, taken or required to be given under the Constitution and laws of the State of Texas), according to the aforesaid tax rolls for said year and finally approved and recorded by the Commissioner's Court of the County, is \$32,464,987,670.

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**SIGNED AND SEALED** this the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
County Clerk

\_\_\_\_\_  
County Judge

**NOTARY ACKNOWLEDGMENT**

Before me, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(Notary Seal)

## **EXHIBIT A**

<i>Bonds</i>	The Williamson County, Texas Limited Tax Note, Series 2008 dated September 1, 2008 in the aggregate principal amount of \$10,000,000.
<i>Closing</i>	September 29, 2008 or at such other time agreed upon between the County and the Purchasers.
<i>County</i>	Williamson County, Texas.
<i>Investment and Commitment Letter</i>	The Investment and Commitment Letter between Compass Bank and the County.
<i>Order</i>	The Order adopted by the Commissioners Court of the County on September 9, 2008 authorizing the issuance of the Bonds.
<i>Purchaser</i>	Compass Bank.

## **EXHIBIT B**

### **OUTSTANDING TAX INDEBTEDNESS**

#### **Bonds in the Process of Issuance**

Williamson County, Texas Limited Tax Note, Series 2008 . . . . . \$10,000,000

#### **Outstanding Debt**

Williamson County, Texas Combination Tax and Revenue  
Certificates of Obligation, Series 2000 . . . . . 900,000

Williamson County, Texas Combination Tax and Revenue Certificates of  
Obligation, Series 2000A . . . . . 8,100,000

Williamson County, Texas Unlimited Tax Road Bonds, Series 2001 . . . . . 9,775,000

Williamson County, Texas General Obligation and Refunding Bonds,  
Series 2001A . . . . . 3,660,000

Williamson County, Texas Unlimited Tax Road Bonds, Series 2002 . . . . . 13,420,000

Williamson County, Texas Limited Tax General Obligation Bonds,  
Series 2002A . . . . . 4,015,000

Williamson County, Texas Limited Tax Notes, Series 2002B . . . . . 7,875,000

Williamson County, Texas Unlimited Tax Road and Refunding Bonds,  
Series 2004 . . . . . 77,210,000

Williamson County, Texas Limited Tax Refunding Bonds, Series 2004A . . . . 61,710,000

Williamson County, Texas Unlimited Tax Refunding Bonds, Series 2005 . . . . 83,590,000

Williamson County, Texas Unlimited Tax Road Bonds, Series 2005 . . . . . 53,465,000

Williamson County, Texas Combination Tax and Revenue  
Certificates of Obligation, Series 2006 . . . . . 45,085,000

Williamson County, Texas Pass-Through Toll Revenue and Limited  
Tax Bonds, Series 2006 . . . . . 27,000,000

Williamson County, Texas Unlimited Tax Refunding Bonds, Series 2006 . . . . 89,619,942

Williamson County, Texas Limited Tax Refunding Bonds, Series 2006A . . . .	16,650,000
Williamson County, Texas Unlimited Tax Road Bonds, Series 2007 . . . . .	146,985,000
Williamson County, Texas Limited Tax Bonds, Series 2007A . . . . .	13,575,000
TOTAL . . . . .	\$672,634,942

# EXHIBIT C

## Williamson County, Texas

### Aggregate Limited Tax Debt

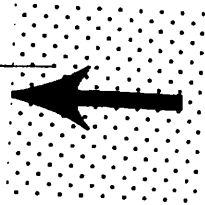
FYE 9/30	Existing Limited Tax Debt			The Series 2008 Notes			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 13,060,000	\$ 9,506,985	\$ 22,566,985	\$ -	\$ -	\$ -	\$ 13,060,000	\$ 9,506,985	\$ 22,566,985
2009	15,180,000	8,797,896	23,977,896	1,320,000	293,178	1,613,178	16,500,000	9,091,074	25,591,074
2010	8,795,000	8,178,159	16,973,159	1,325,000	289,912	1,614,912	10,120,000	8,468,071	18,588,071
2011	8,965,000	7,639,036	16,604,036	1,370,000	245,657	1,615,657	10,335,000	7,884,693	18,219,693
2012	9,725,000	7,197,673	16,922,673	1,420,000	199,899	1,619,899	11,145,000	7,397,572	18,542,572
2013	10,190,000	6,708,984	16,898,984	1,470,000	152,471	1,622,471	11,660,000	6,861,455	18,521,455
2014	9,275,000	6,242,943	15,517,943	1,520,000	103,373	1,623,373	10,795,000	6,346,316	17,141,316
2015	9,815,000	5,793,843	15,608,843	1,575,000	52,605	1,627,605	11,390,000	5,846,448	17,236,448
2016	11,210,000	5,289,397	16,499,397	-	-	-	11,210,000	5,289,397	16,499,397
2017	12,840,000	4,711,029	17,551,029	-	-	-	12,840,000	4,711,029	17,551,029
2018	13,475,000	4,080,686	17,555,686	-	-	-	13,475,000	4,080,686	17,555,686
2019	14,135,000	3,417,496	17,552,496	-	-	-	14,135,000	3,417,496	17,552,496
2020	14,835,000	2,719,911	17,554,911	-	-	-	14,835,000	2,719,911	17,554,911
2021	6,975,000	2,202,311	9,177,311	-	-	-	6,975,000	2,202,311	9,177,311
2022	7,320,000	1,869,386	9,189,386	-	-	-	7,320,000	1,869,386	9,189,386
2023	7,110,000	1,527,206	8,637,206	-	-	-	7,110,000	1,527,206	8,637,206
2024	7,465,000	1,178,732	8,643,732	-	-	-	7,465,000	1,178,732	8,643,732
2025	7,835,000	810,410	8,645,410	-	-	-	7,835,000	810,410	8,645,410
2026	8,225,000	429,329	8,654,329	-	-	-	8,225,000	429,329	8,654,329
2027	770,000	220,624	990,624	-	-	-	770,000	220,624	990,624
2028	805,000	185,265	990,265	-	-	-	805,000	185,265	990,265
2029	845,000	147,315	992,315	-	-	-	845,000	147,315	992,315
2030	885,000	107,525	992,525	-	-	-	885,000	107,525	992,525
2031	925,000	65,895	990,895	-	-	-	925,000	65,895	990,895
2032	970,000	22,310	992,310	-	-	-	970,000	22,310	992,310
	\$ 201,630,000	\$ 89,050,344	\$ 290,680,344	\$ 10,000,000	\$ 1,337,095	\$ 11,337,095	\$ 211,630,000	\$ 90,387,439	\$ 302,017,439

SIGNED AND SEALED this the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

*Please  
do not  
date*

Nancy E. Rister  
County Clerk

[Signature]  
County Judge

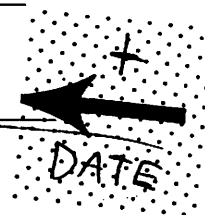


**NOTARY ACKNOWLEDGMENT**

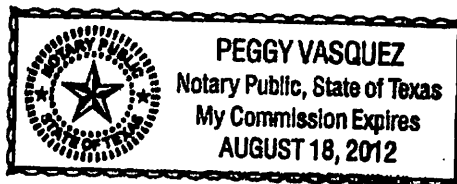
Before me, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this \_\_\_\_\_

[Signature]  
Notary Public



(Notary Seal)



## **PAYING AGENT/REGISTRAR AGREEMENT**

**THIS AGREEMENT** dated as of September 1, 2008 ("Agreement"), by and between Williamson County, Texas ("County"), and Regions Bank, a banking association duly organized and existing under the laws of the United States of America ("Bank").

### **RECITALS**

**WHEREAS**, the County has duly authorized and provided for the issuance of its Williamson County, Texas Limited Tax Note, Series 2008 in the aggregate principal amount of \$10,000,000 (the "Securities"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

**WHEREAS**, the Securities are scheduled to be delivered to the underwriters thereof on or about September 29, 2008; and

**WHEREAS**, the County has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

**WHEREAS**, the Bank has agreed to serve in such capacities for and on behalf of the County and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

**NOW, THEREFORE**, it is mutually agreed as follows:

### **ARTICLE ONE**

#### **APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

**Section 1.01. APPOINTMENT**. The County hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the County the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the respective "Orders" (hereinafter defined).

The County hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the County books and records as to the ownership of the Securities and with respect to the transfer and exchange thereof as provided herein and in the respective "Orders."

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

**Section 1.02. COMPENSATION.** As compensation for the Bank's services as Paying Agent/Registrar, the County hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto.

In addition, the County agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## **ARTICLE TWO** **DEFINITIONS**

**Section 2.01. DEFINITIONS.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the corporate trust office of the Bank located at Georgetown, Texas. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the County.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"County Request" and "County Order" means a written request or order signed in the name of the County by the County Judge, County Clerk or County Auditor of the Commissioners Court of the County, any one or more of the officials, delivered to the Bank.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Order" or "Orders" means the order of the governing body of the County pursuant to which the Securities are issued, certified by the Secretary of the Board of Directors or any other officer of the County and delivered to the Bank.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed or stolen Security for which a replacement

Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the respective Orders).

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the respective Orders.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" means a register maintained by the Bank on behalf of the County providing for the registration and transfer of the Securities.

"Stated Maturity" means the date specified in the respective Orders on which the principal of a Security is scheduled to be due and payable.

**Section 2.02. OTHER DEFINITIONS.** The terms "Bank," "County" and "Securities" and "Security" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

### **ARTICLE THREE** **PAYING AGENT**

**Section 3.01. DUTIES OF PAYING AGENT.** As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the County, pay on behalf of the County the principal of each Security at its Stated Maturity, Redemption Date or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the County, pay on behalf of the County the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first-class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

**Section 3.02. PAYMENT DATES.** The County hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the respective Orders.

## **ARTICLE FOUR REGISTRAR**

**Section 4.01. SECURITY REGISTER - TRANSFERS AND EXCHANGES.** The Bank agrees to keep and maintain for and on behalf of the County at the Bank Office, books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the County and subject to such reasonable regulations as the County and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, Inc., in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**Section 4.02. CERTIFICATES.** The County shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

**Section 4.03. FORM OF SECURITY REGISTER.** The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. LIST OF SECURITY HOLDERS.** The Bank will provide the County at any time requested by the County, upon payment of the required fee, a copy of the information contained in the Security Register. The County may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the County, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the County so that the County may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. RETURN OF CANCELLED CERTIFICATES.** The Bank will, at such reasonable intervals as it determines, surrender to the County, Securities in lieu of which or in exchange for which other Securities have been issued or which have been paid.

**Section 4.06. MUTILATED, DESTROYED, LOST OR STOLEN SECURITIES.** The County hereby instructs the Bank, subject to the applicable provisions of the respective Orders, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (1) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the County and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated or destroyed, lost or stolen.

**Section 4.07. TRANSACTION INFORMATION TO COUNTY.** The Bank will, within a reasonable time after receipt of written request from the County, furnish the County information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities pursuant to Section 4.06.

## **ARTICLE FIVE**

### **THE BANK**

**Section 5.01. DUTIES OF BANK.** The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

**Section 5.02. RELIANCE ON DOCUMENTS, ETC.** (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by County.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**Section 5.03. RECITALS OF COUNTY.** The recitals contained herein with respect to the County and in the Securities shall be taken as the statements of the County, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the County, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. MAY HOLD SECURITIES.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the County with the same rights it would have if it were not the Paying Agent/Registrar or any other agent.

**Section 5.05. MONIES HELD BY BANK.** The Bank shall deposit any monies received from the County into a trust account to be held in a paying agent capacity for the payment of the Securities, with such monies in the account that exceed the deposit insurance available to the County by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts, until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the County if the County so elects, and the Holder of such Security shall hereafter look only to the County for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the County does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. INDEMNIFICATION.** To the extent permitted by law, the County agrees to indemnify the Bank for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the Bank's part, arising out of or in connection with the Bank's acceptance or administration of its duties hereunder, including the cost and expense incurred by the Bank in defending against any claim or from liability imposed on the Bank in connection with the Bank's exercise or performance of any of its powers or duties under this Agreement.

**Section 5.07. INTERPLEADER.** The County and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State Court located in the State of Texas and County where either the Bank Office or the administrative offices of the County is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The County and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. DEPOSITORY TRUST COMPANY SERVICES.** It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective August 1, 1987, which establishes requirements for securities to be eligible for such type

depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time and notification of redemptions and calls.

Attached hereto is a copy of the Letter of Representations with The Depository Trust Company.

## **ARTICLE SIX**

### **MISCELLANEOUS PROVISIONS**

**Section 6.01. AMENDMENT.** This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. ASSIGNMENT.** This Agreement may not be assigned by either party without the prior written consent of the other.

**Section 6.03. NOTICES.** Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the County or the Bank shall be mailed or delivered to the County or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. EFFECT OF HEADINGS.** The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**Section 6.05. SUCCESSORS AND ASSIGNS.** All covenants and agreements herein by the County shall bind its successors and assigns, whether so expressed or not.

**Section 6.06. SEVERABILITY.** In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 6.07. BENEFITS OF AGREEMENT.** Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

**Section 6.08. ENTIRE AGREEMENT.** This Agreement and the respective Orders constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the respective Orders, the respective Orders shall govern.

**Section 6.09. COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.10. TERMINATION.** This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon 60 days' written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the County and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and County mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the County.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. GOVERNING LAW.** This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first above written.

**REGIONS BANK**

By: \_\_\_\_\_

Title: Senior Vice President/State Manager  
1717 St. James Place, Suite 500  
Houston, Texas 77056

**ATTEST:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

[BANK SEAL]

**WILLIAMSON COUNTY, TEXAS**

By: \_\_\_\_\_  
County Judge  
710 Main Street, Suite 101  
Georgetown, Texas 78626

**SCHEDULE A**



**Paying Agent and Registrar Services for**

***\$10,000,000***

***WILLIAMSON COUNTY, TEXAS***

***Limited Tax Note, Series 2008***

**Schedule of Fees**

**Acceptance Fee: ..... Waived**

**Paying Agent/ Registrar: ..... \$300     (Annually in Advance)**

**The Acceptance Fee and the initial Paying Agent/ Registrar Fee are payable at the closing of this transaction. Thereafter, the Annual Fee and any expenses will be billed on the anniversary date of the closing.**

**The above-mentioned fees are basic charges and do not include out-of-pocket expenses, which will be billed in addition to the regular charges as required. Out-of-pocket expenses shall include, but are not limited to: telephone tolls, stationery, travel and postage expenses.**

**Charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be determined by appraisal in amounts commensurate with the service to be provided.**

**Services not included in this Fee Schedule, but deemed necessary or desirable by you, may be subject to additional charges based on a mutually agreed upon fee schedule.**

**By:     /s/ Cary W. Gilliam  
Cary W. Gilliam  
Senior Vice President**

**Date: September 9, 2008**

**WILLIAMSON COUNTY, TEXAS**

By: 

County Judge  
710 Main Street, Suite 101  
Georgetown, Texas 78626

IN WITNESS WHEREOF, this Note has been duly executed on behalf of the County, under its official seal, in accordance with law.

Nancy E. Rister  
County Clerk  
Williamson County, Texas

[Signature]  
County Judge  
Williamson County, Texas



Seal  
approp.  
here for  
Notes

## FEDERAL TAX CERTIFICATE

### 1. In General.

1.1. The undersigned is the County Judge of the Williamson County, Texas (the "Issuer").

1.2. This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's Limited Tax Note, Series 2008 (the "Note"). The Note is being issued pursuant to an order of the Issuer (the "Order") adopted on the date of sale of the Note. The Order is incorporated herein by reference.

1.3. To the best of the undersigned's knowledge, information and belief, the expectations contained in this Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility of issuing and delivering the Note.

1.5. The undersigned is not aware of any facts or circumstances that would cause him to question the accuracy of the representations made by (the "Purchaser") in Section 5 of this Certificate.

### 2. The Purpose of the Note and Useful Lives of Projects.

2.1. The Note is being issued pursuant to the Order (a) to provide for the payment of costs of issuing the Note and (b) to construct public works and purchase materials, supplies, equipment, machines, buildings and land, including, but not limited to roads, streets and thoroughfares (the "Projects").

2.2. The Issuer expects that the aggregate useful lives of the Projects exceed 20 years from the later of the date the Projects are placed in service or the date on which the Note is issued.

2.3. All earnings, such as interest and dividends, received from the investment of the proceeds of the Note during the period of acquisition and construction of the Projects and not used to pay interest on the Note, will be used to pay the costs of the Projects, unless required to be rebated and paid to the United States in accordance with section 148(f) of the Internal Revenue Code of 1986 (the "Code"). The proceeds of the Note, together with any investment earnings thereon, are expected not to exceed the amount necessary for the governmental purpose of the Note. The Issuer expects that no disposition proceeds will arise in connection with the Projects or the Note.

### 3. Expenditure of Note Proceeds and Use of Projects.

3.1. The Issuer will incur, within six months after the date of issue of the Note, a binding obligation to commence the Projects, either by entering into contracts for the construction of the Projects or by entering into contracts for architectural or engineering services for such Projects, or contracts for the development, purchase of construction materials, or purchase of equipment, for the Projects, with the amount to be paid under such contracts to be in excess of five percent of the proceeds which are estimated to be used for the cost of the Projects.

3.2. After entering into binding obligations, work on such Projects will proceed promptly with due diligence to completion.

3.3. All original proceeds derived from the sale of the Note to be applied to the Projects and all investment earnings thereon (other than any amounts required to be rebated to the United States pursuant to section 148(f) of the Code) will be expended for the Projects no later than a date which is three years after the date of issue of the Note.

3.4. The Order provides that allocations of proceeds to expenditures for the Projects are expected not to be later than 18 months after the later of the date of the expenditure or the date that the Projects are placed in service, but, in any event, not longer than 60 days after the earlier of five years of the date hereof or the date the Note is retired.

3.5. The Issuer will not invest the proceeds prior to such expenditure in any guaranteed investment contract or other non-purpose investment with a substantially guaranteed yield for a period equal to or greater than four years.

3.6. Other than members of the general public, the Issuer expects that throughout the lesser of the term of the Note, or the useful lives of the Projects, the only user of the Projects will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Projects. In no event will the proceeds of the Bonds in an amount greater than \$15 million or facilities financed therewith be used for private business use.

3.7. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the Projects prior to the earlier of the end of such property's useful life or the final maturity of the Note. The Order provides that the Issuer will not sell or otherwise dispose of the Projects unless the Issuer receives an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Note.

3.8. For purposes of Section 3.7 hereof, the Issuer has not included the portion of the Projects comprised of personal property that is disposed in the ordinary course at a price that is expected to be less than 25 percent of the original purchase price. The Issuer, upon any disposition of such property, will transfer the receipts from the disposition of such property to the general operating fund and expend such receipts within six months for other governmental programs.

#### 4. Interest and Sinking Fund.

4.1. A separate and special Interest and Sinking Fund has been created and established solely to pay the principal of and interest on the Note, with a portion of the Interest and Sinking Fund constituting a bona fide debt service fund for the Note, and money deposited into the Interest and Sinking Fund for the Note will not be invested at a yield higher than the yield on the Note, except during the thirteen month period beginning on the date of each such deposit of money, and the amounts received from the investment of money in the Interest and Sinking Fund will not be invested at a yield higher than the yield on the Note, except during the one year period beginning on the date of receipt of such amounts; provided, however, and except that, if any money so deposited, and any amounts received from the investment thereof, are accumulated in the Interest and Sinking Fund and remain on hand in the Interest and Sinking Fund after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof, such money and amounts, to the extent of an aggregate not exceeding the lesser of five percent of the proceeds of the Note or \$100,000 will not be subject to investment yield restrictions, and shall constitute a separate portion of the Interest and Sinking Fund.

4.2. It is expected that a portion of the Interest and Sinking Fund will be used primarily to achieve a proper matching of revenues collected for the Note and debt service on the Note within each bond year, and it is expected that such portion of the Interest and Sinking Fund will be depleted once a year on a first-in - first-out basis, except for a possible carryover amount which will not exceed the greater of one year's earnings on such fund or 1/12 of annual debt service payable from such fund, but any money and amounts which may be accumulated in the Interest and Sinking Fund, to constitute a debt service reserve fund for the Note as described in Section 5.1, above, shall constitute a separate portion of the Interest and Sinking Fund, and will not be depleted annually, and will not be subject to yield restrictions; provided that in no event will such debt service reserve fund portion of the Interest and Sinking Fund ever exceed the lesser of five percent of the proceeds of the Note or \$100,000.

5. Yield.

The Note has been the subject of a bona fide initial offering to the Purchaser who is acquiring as a member of the public and not for the present purposes of resale at a purchase price of 100 percent of the stated principal amount thereof.

6. Invested Sinking Fund Proceeds, Replacement Proceeds.

6.1. The Issuer has, in addition to the moneys received from the sale of the Note, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

6.2. Other than the Interest and Sinking Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Note, or (b) which are reserved or pledged as collateral for payment of debt service on the Note and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Note, within the meaning of section 148 of the Code.

7. Other Obligations.

There are no other obligations of the Issuer that (a) are sold at substantially the same time as the Note, i.e., within 15 days of the date of sale of the Note, (b) is sold pursuant to a common plan of financing with the Note, and (c) will be payable from the same source of funds as the Note.

8. Federal Tax Audit Responsibilities.

The Issuer acknowledges that in the event of an examination by the Internal Revenue Service (the "Service") to determine compliance of the Note with the provisions of the Code as they relate to tax-exempt obligations, the Issuer will respond, and will direct its agents and assigns to respond, in a commercially reasonable manner to any inquiries from the Service in connection with such an examination. The Issuer understands and agrees that the examination may be subject to public disclosure under applicable Texas law.

9. Record Retention.

The Issuer has covenanted in the Order that it will comply with the requirements of the Code relating to the exclusion of the interest on the Note under section 103 of the Code. The Service has determined that

certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under section 103 of the Code. **ACCORDINGLY, THE ISSUER SHALL TAKE STEPS TO ENSURE THAT ALL MATERIALS, RECORDS AND INFORMATION NECESSARY TO CONFIRM THE EXCLUSION OF THE INTEREST ON THE NOTE UNDER SECTION 103 OF THE CODE ARE RETAINED FOR THE PERIOD BEGINNING ON THE ISSUE DATE OF THE NOTE AND ENDING THREE YEARS AFTER THE DATE THE NOTE IS RETIRED.** The Issuer acknowledges receipt of the letter attached hereto as Exhibit "B" which, in part, discusses specific guidance by the Service with respect to the retention of records relating to tax-exempt bond transaction. The Issuer also acknowledges that the letter does not constitute an opinion of Bond Counsel as to the proper record retention policy applicable to any specific transaction.

10. Rebate to United States.

The Issuer has covenanted in the Order that it will comply with the requirements of the Code, including section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the Issuer will take steps to ensure that all earnings on gross proceeds of the Note in excess of the yield on the Note required to be rebated to the United States will be timely paid to the United States. The Issuer acknowledges receipt of the memorandum attached hereto as Exhibit "A" which discusses regulations promulgated pursuant to section 148(f) of the Code. This memorandum does not constitute an opinion of Bond Counsel as to the proper federal tax or accounting treatment of any specific transaction.

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**WILLIAMSON COUNTY, TEXAS**

By: 

County Judge

710 Main Street, Suite 101

Georgetown, Texas 78626

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Section 5 of this Federal Tax Certificate are accurate.

COMPASS BANK

By: \_\_\_\_\_

## Exhibit "A"

LAW OFFICES

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January 1, 2006

### **ARBITRAGE REBATE REGULATIONS**<sup>©</sup>

The arbitrage rebate requirements set forth in section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provide that in order for interest on any issue of bonds<sup>1</sup> to be excluded from gross income (i.e., tax-exempt) the issuer must rebate to the United States the sum of, (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

On June 18, 1993, the U.S. Treasury Department promulgated regulations relating to the computation of arbitrage rebate and the rebate exceptions. These regulations, which replace the previously-published regulations promulgated on May 15, 1989, and on May 18, 1992, are effective for bonds issued after June 30, 1993. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations. This memorandum does not otherwise discuss the general arbitrage regulations, other than as they may incidentally relate to rebate. This memorandum also does not attempt to provide an exhaustive discussion of the arbitrage rebate regulations and should not be considered advice with respect to the arbitrage rebate requirements as applied to any individual or governmental unit or any specific transaction. Any tax advice contained in this memorandum is of a general nature and is not intended to be used, and should not be used, by any person to avoid penalties under the Code.

McCall, Parkhurst & Horton L.L.P. remains available to provide legal advice to issuers with respect to the provisions of these tax regulations but recommends that issuers seek competent financial and accounting assistance in calculating the amount of such issuer's rebate liability under section 148(f) of the Code and in making elections to apply the rebate exceptions.

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<sup>1</sup> In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

## **Effective Dates**

The regulations promulgated on June 18, 1993, generally apply to bonds delivered after June 30, 1993, although they do permit an issuer to elect to apply the rules to bonds issued prior to that date. The temporary regulations adopted by the U.S. Treasury Department in 1989 and 1992 incorporated the same effective dates which generally apply for purposes of section 148(f) of the Code. As such, the previous versions of the rebate regulations generally applied to bonds issued between August 1986 and June 30, 1993 (or, with an election, to bonds issued prior to August 15, 1993). The statutory provisions of section 148(f) of the Code, other than the exception for construction issues, apply to all bonds issued after August 15, 1986, (for private activity bonds) and August 31, 1986, (for governmental public purpose bonds). The statutory exception to rebate applicable for construction issues generally applies if such issue is delivered after December 19, 1989.

The regulations provide numerous transitional rules for bonds sold prior to July 1, 1993. Moreover, since, under prior law, rules were previously published with respect to industrial development bonds and mortgage revenue bonds, the transitional rules contained in these regulations permit an issuer to elect to apply certain of these rules for computing rebate on pre-1986 bonds. The regulations provide for numerous elections which would permit an issuer to apply the rules (other than 18-month spending exception) to bonds which were issued prior to July 1, 1993 and remain outstanding on June 30, 1993. Due to the complexity of the regulations, it is impossible to discuss in this memorandum all circumstances for which specific elections are provided. If an issuer prefers to use these final version of rebate regulations in lieu of the computational method stated under prior law (e.g., due to prior redemption) or the regulations, please contact McCall, Parkhurst & Horton L.L.P. for advice as to the availability of such options.

## **Future Value Computation Method**

The regulations employ an actuarial method for computing the rebate amount based on the future value of the investment receipts (i.e., earnings) and payments. The rebate method employs a two-step computation to determine the amount of the rebate payment. First, the issuer determines the bond yield. Second, the issuer determines the arbitrage rebate amount. The regulations require that the computations be made at the end of each five-year period and upon final maturity of the issue (the "computation dates"). **THE FINAL MATURITY DATE WILL ACCELERATE IN CIRCUMSTANCES IN WHICH THE BONDS ARE OPTIONALLY REDEEMED PRIOR TO MATURITY. AS SUCH, IF BONDS ARE REFUNDED OR OTHERWISE REDEEMED, THE REBATE MAY BE DUE EARLIER THAN INITIALLY PROJECTED.** In order to accommodate accurate record-keeping and to assure that sufficient amounts will be available for the payment of arbitrage rebate liability, however, we recommend that the computations be performed at least annually. Please refer to other materials provided by McCall, Parkhurst & Horton L.L.P. relating to federal tax rules regarding record retention.

Under the future value method, the amount of rebate is determined by compounding the aggregate earnings on all the investments from the date of receipt by the issuer to the computation date. Similarly, a payment for an investment is future valued from the date that the payment is made to the computation date. The receipts and payments are future valued at a discount rate equal to the yield on the bonds. The rebatable arbitrage, as of any

computation date, is equal to the excess of the (1) future value of all receipts from investments (i.e., earnings), over (2) the future value of all payments.

The following example is provided in the regulations to illustrate how arbitrage rebate is computed under the future value method for a fixed-yield bond:

"On January 1, 1994, City A issues a fixed yield issue and invests all the sale proceeds of the issue (\$49 million). There are no other gross proceeds. The issue has a yield of 7.0000 percent per year compounded semiannually (computed on a 30 day month/360 day year basis). City A receives amounts from the investment and immediately expends them for the governmental purpose of the issue as follows:

<u>Date</u>	<u>Amount</u>
2/1/1994	\$ 3,000,000
4/1/1994	5,000,000
6/1/1994	14,000,000
9/1/1994	20,000,000
7/1/1995	10,000,000

City A selects a bond year ending on January 1, and thus the first required computation date is January 1, 1999. The rebate amount as of this date is computed by determining the future value of the receipts and the payments for the investment. The compounding interval is each 6-month (or shorter) period and the 30 day month/360 day year basis is used because these conventions were used to compute yield on the issue. The future value of these amounts, plus the computation credit, as of January 1, 1999, is:

<u>Date</u>	<u>Receipts (Payments)</u>	<u>FY (7.0000 percent)</u>
01/1/1994	(\$49,000,000)	(\$69,119,339)
02/1/1994	3,000,000	4,207,602
04/1/1994	5,000,000	6,932,715
06/1/1994	14,000,000	19,190,277
09/1/1994	20,000,000	26,947,162
01/1/1995	(1,000)	(1,317)
07/1/1995	10,000,000	12,722,793
01/1/1996	(1,000)	<u>(1,229)</u>
Rebate amount (01/01/1999)		<u><u>\$878,664"</u></u>

### **General Method for Computing Yield on Bonds**

In general, the term "yield," with respect to a bond, means the discount rate that when used in computing the present value of all unconditionally due payments of principal and interest and all of the payments for a qualified guarantee produces an amount equal to the issue price of the bond. The term "issue price" has the same meaning as provided in sections

1273 and 1274 of the Code. That is, if bonds are publicly offered (i.e., sold by the issuer to a bond house, broker or similar person acting in the capacity of underwriter or wholesaler), the issue price of each bond is determined on the basis of the initial offering price to the public (not to the aforementioned intermediaries) at which price a substantial amount of such bond was sold to the public (not to the aforementioned intermediaries). The "issue price" is separately determined for each bond (i.e., maturity) comprising an issue.

The regulations also provide varying periods for computing yield on the bonds depending on the method by which the interest payment is determined. Thus, for example, yield on an issue of bonds sold with variable interest rates (i.e., interest rates which are reset periodically based on changes in market) is computed separately for each annual period ending on the first anniversary of the delivery date that the issue is outstanding. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period. The regulations, however, permit an issuer of a variable-yield issue to elect to compute the yield for annual periods ending on any date in order to permit a matching of such yield to the expenditure of the proceeds. Any such election must be made in writing, is irrevocable, and must be made no later than the earlier of (1) the fifth anniversary date, or (2) the final maturity date.

Yield on a fixed interest rate issue (i.e., an issue of bonds the interest rate on which is determined as of the date of the issue) is computed over the entire term of the issue. Issuers of fixed-yield issues generally use the yield computed as of the date of issue for all rebate computations. Such yield on fixed-yield issues generally is recomputed only if (1) the issue is sold at a substantial premium, may be retired within five years of the date of delivery, and such date is earlier than its scheduled maturity date, or (2) the issue is a stepped-coupon bond. In such cases, the regulations require the issuer to recompute the yield on such issues by taking into account the early retirement value of the bonds. Similarly, recomputation may occur in circumstances in which the issuer or bondholder modify or waive certain terms of, or rights with respect to, the issue or in sophisticated hedging transactions. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

For purposes of determining the principal or redemption payments on a bond, different rules are used for fixed-rate and variable-rate bonds. The payment is computed separately on each maturity of bonds rather than on the issue as a whole. In certain circumstances, the yield on the bond is determined by assuming that principal on the bond is paid as scheduled and that the bond is retired on the final maturity date for the stated retirement price. For bonds subject to early redemption or stepped-coupon bonds, described above, or for bonds subject to mandatory early redemption, the yield is computed assuming the bonds are paid on the early redemption date for an amount equal to their value.

Premiums paid to guarantee the payment of debt service on bonds are taken into account in computing the yield on the bond. Payments for guarantees are taken into account by treating such premiums as the payment of interest on the bonds. This treatment, in effect, raises the yield on the bond, thereby permitting the issuer to recover such fee with excess earnings.

The guarantee must be an unconditional obligation of the guarantor enforceable by the bondholder for the payment of principal or interest on the bond or the tender price of a tender bond. The guarantee may be in the form of an insurance policy, surety bond, irrevocable letter or line of credit, or standby purchase agreement. Importantly, the guarantor must be legally entitled to full reimbursement for any payment made on the guarantee either immediately or upon commercially reasonable repayment terms. The guarantor may not be a co-obligor of the bonds or a user of more than 10 percent of the proceeds of the bonds.

Payments for the guarantee may not exceed a reasonable charge for the transfer of credit risk. This reasonable charge requirement is not satisfied unless it is reasonably expected that the guarantee will result in a net present value savings on the bond (i.e., the premium does not exceed the present value of the interest savings resulting by virtue of the guarantee). If the guarantee is entered into after June 14, 1989, then any fees charged for the nonguarantee services must be separately stated or the guarantee fee is not recoverable.

The regulations also treat certain "hedging" transactions in a manner similar to qualified guarantees. "Hedges" are contracts, e.g., interest rate swaps, futures contracts or options, which are intended to reduce the risk of interest rate fluctuations. Hedges and other financial derivatives are sophisticated and ever-evolving financial products with which a memorandum, such as this, can not readily deal. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

### **Earnings on Nonpurpose Investments**

The arbitrage rebate provisions apply only to the receipts from the investment of "gross proceeds" in "nonpurpose investments." For this purpose, nonpurpose investments are stock, bonds or other obligations acquired with the gross proceeds of the bonds for the period prior to the expenditure of the gross proceeds for the ultimate purpose. For example, investments deposited to construction funds, reserve funds (including surplus taxes or revenues deposited to sinking funds) or other similar funds are nonpurpose investments. Such investments include only those which are acquired with "gross proceeds." For this purpose, the term "gross proceeds" includes original proceeds received from the sale of the bonds, investment earnings from the investment of such original proceeds, amounts pledged to the payment of debt service on the bonds or amounts actually used to pay debt service on the bonds. The regulations do not provide a sufficient amount of guidance to include an exhaustive list of "gross proceeds" for this purpose; however, it can be assumed that "gross proceeds" represent all amounts received from the sale of bonds, amounts earned as a result of such sale or amounts (including taxes and revenues) which are used to pay, or secure the payment of, debt service for the bonds. The total amount of "gross proceeds" allocated to a bond generally can not exceed the outstanding principal amount of the bonds.

The regulations provide that an investment is allocated to an issue for the period (1) that begins on the date gross proceeds are used to acquire the investment, and (2) that ends on the date such investment ceases to be allocated to the issue. In general, proceeds are allocated to a bond issue until expended for the ultimate purpose for which the bond was issued or for which such proceeds are received (e.g., construction of a bond-financed facility or payment of debt service on the bonds). Deposit of gross proceeds to the general fund of the

issuer (or other fund in which they are commingled with revenues or taxes) does not eliminate or ameliorate the Issuer's obligation to compute rebate in most cases. As such, proceeds commingled with the general revenues of the issuer are not "freed-up" from the rebate obligation. An exception to this commingling limitation for bonds, other than private activity bonds, permits "investment earnings" (but not sale proceeds or other types of gross proceeds) to be considered spent when deposited to a commingled fund if those amounts are reasonably expected to be spent within six months. Other than for these amounts, issuers may consider segregating investments in order to more easily compute the amount of such arbitrage earnings by not having to allocate investments.

Special rules are provided for purposes of advance refundings. These rules are too complex to discuss in this memorandum. Essentially, the rules relating to refundings, however, do not require that amounts deposited to the escrow fund to defease the prior obligations of the issuer be subject to arbitrage rebate to the extent that the investments deposited to the escrow fund do not have a yield in excess of the yield on the bonds. Any loss resulting from the investment of proceeds in an escrow fund below the yield on the bonds, however, may be recovered by combining those investments with investments deposited to other funds, e.g., reserve or construction funds.

The arbitrage regulations also provide an exception to the arbitrage limitations for the investment of bond proceeds in tax-exempt obligations. As such, investment of proceeds in tax exempt bonds eliminates the Issuer's rebate obligation. A caveat; this exception does not apply to gross proceeds derived allocable to a bond, which is not subject to the alternative minimum tax under section 57(a)(5) of the Code, if invested in tax-exempt bonds subject to the alternative minimum tax, i.e., "private activity bonds." Such "AMT-subject" investment is treated as a taxable investment and must comply with the arbitrage rules, including rebate. Earnings from these tax-exempt investments are subject to arbitrage restrictions, including rebate.

Similarly, the investment of gross proceeds in certain tax-exempt mutual funds are treated as a direct investment in the tax-exempt obligations deposited in such fund. While issuers may invest in such funds for purposes of avoiding arbitrage rebate, they should be aware that if "private activity bonds" are included in the fund then a portion of the earnings will be subject to arbitrage rebate. Issuers should be prudent in assuring that the funds do not contain private activity bonds.

The arbitrage regulations provide a number of instances in which earnings will be imputed to nonpurpose investments. Receipts generally will be imputed to investments that do not bear interest at an arm's-length (i.e., market) interest rate. As such, the regulations adopt a "market price" rule. In effect, this rule prohibits an issuer from investing bond proceeds in investments at a price which is higher than the market price of comparable obligations, in order to reduce the yield. Special rules are included for determining the market price for investment contracts, certificates of deposit and certain U.S. Treasury obligations. For example, to establish the fair market value of investment contracts a bidding process between three qualified bidders must be used. The fair market value of certificates of deposit which bear a fixed interest rate and are subject to an early withdrawal penalty is its purchase price if that price is not less than the yield on comparable U.S. Treasury obligations and is the highest yield available from the institution. In any event, a basic "common sense" rule-of-thumb that can be used to determine whether a fair market value has been paid is to ask whether the general

funds of the issuer would be invested at the same yield or at a higher yield. An exception to this market price rule is available for United States Treasury Obligations - State or Local Government Series in which case the purchase price is always the market price.

### **Reimbursement and Working Capital**

The regulations provide rules for purposes of determining whether gross proceeds are used for working capital and, if so, at what times those proceeds are considered spent. In general, working capital financings are subject to many of the same rules that have existed since the mid-1970s. For example, the regulations generally continue the 13-month temporary period. By adopting a "proceeds-spent-last" rule, the regulations also generally require that an issuer actually incur a deficit (i.e., expenditures must exceed receipts) for the computation period (which generally corresponds to the issuer's fiscal year). Also, the regulations continue to permit an operating reserve, but unlike prior regulations the amount of such reserve may not exceed five percent of the issuer's actual working capital expenditures for the prior fiscal year. Another change made by the regulations is that the issuer may not finance the operating reserve with proceeds of a tax-exempt obligation.

Importantly, the regulations contain rules for determining whether proceeds used to reimburse an issuer for costs paid prior to the date of issue of the obligation, in fact, are considered spent at the time of reimbursement. These rules apply to an issuer who uses general revenues for the payment of all or a portion of the costs of a project then uses the proceeds of the bonds to reimburse those general revenues. Failure to comply with these rules would result in the proceeds continuing to be subject to federal income tax restrictions, including rebate.

To qualify for reimbursement, a cost must be described in an expression (e.g., resolution, legislative authorization) evidencing the issuer's intent to reimburse which is made no later than 60 days after the payment of the cost. Reimbursement must occur no later than 18 months after the later of (1) the date the cost is paid or (2) the date the project is placed in service. Except for projects requiring an extended construction period or small issuers, in no event can a cost be reimbursed more than three years after the cost is paid.

Reimbursement generally is not permitted for working capital; only capital costs, grants and loans may be reimbursed. Moreover, certain anti-abuse rules apply to prevent issuers from avoiding the limitations on refundings. IN CASES INVOLVING WORKING CAPITAL OR REIMBURSEMENT, ISSUERS ARE ADVISED TO CONTACT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION.

### **Rebate Payments**

Rebate payments generally are due 60 days after each installment computation date. The interim computation dates occur each fifth anniversary of the issue date. The final computation date is on the latest of (1) the date 60 days after the date the issue of bonds is no longer outstanding, (2) the date eight months after the date of issue for certain short-term obligations (i.e., obligations retired within three years), or (3) the date the issuer no longer reasonably expects any spending exception, discussed below, to apply to the issue. On such

payment dates, other than the final payment date, an issuer is required to pay 90 percent of the rebatable arbitrage to the United States. On the final payment date, an issuer is required to pay 100 percent of the remaining rebate liability.

Failure to timely pay rebate does not necessarily result in the loss of tax-exemption. Late payments, however, are subject to the payment of interest, and unless waived, a penalty of 50 percent (or, in the case of private activity bonds, other than qualified 501(c)(3) bonds, 100 percent) of the rebate amount which is due. IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.

Rebate payments are refundable. The issuer, however, must establish to the satisfaction of the Commissioner of the Internal Revenue Service that the issuer paid an amount in excess of the rebate and that the recovery of the overpayment on that date would not result in additional rebatable arbitrage. An overpayment of less than \$5,000 may not be recovered before the final computation date.

### **Alternative Penalty Amount**

In certain cases, an issuer of a bond the proceeds of which are to be used for construction may elect to pay a penalty, in lieu of rebate. The penalty may be elected in circumstances in which the issuer expects to satisfy the two-year spending exception which is more fully described under the heading "Exceptions to Rebate." The penalty is payable, if at all, within 60 days after the end of each six-month period. This is more often than rebate. The election of the alternative penalty amount would subject an issuer, which fails the two-year spend-out requirements, to the payment of a penalty equal to one and one-half of the excess of the amount of proceeds which was required to be spent during that period over the amount which was actually spent during the period.

The penalty has characteristics which distinguish it from arbitrage rebate. First, the penalty would be payable without regard to whether any arbitrage profit is actually earned. Second, the penalty continues to accrue until either (1) the appropriate amount is expended or (2) the issuer elects to terminate the penalty. To be able to terminate the penalty, the issuer must meet specific requirements and, in some instances, must pay an additional penalty equal to three percent of the unexpended proceeds.

### **Exceptions to Rebate**

The Code and regulations provide certain exceptions to the requirement that the excess investment earnings be rebated to the United States.

a. *Small Issuers.* The first exception provides that if an issuer (together with all subordinate issuers) *during a calendar year* does not issue tax-exempt bonds<sup>2</sup> in an aggregate

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<sup>2</sup> For this purpose, "private activity bonds" neither are afforded the benefit of this exception nor are taken into account for purposes of determining the amount of bonds issued.

face amount exceeding \$5 million, then the obligations are not subject to rebate. *Only issuers with general taxing powers may take advantage of this exception.* Subordinate issuers are those issuers which derive their authority to issue bonds from the same issuer, e.g., a city and a health facilities development corporation, or which are controlled by the same issuer, e.g., a state and the board of a public university. In the case of bonds issued for public school capital expenditures, the \$5 million cap may be increased to as much as \$15 million. For purposes of measuring whether bonds in the calendar year exceed these dollar limits, current refunding bonds can be disregarded if they meet certain structural requirements. Please contact McCall, Parkhurst & Horton L.L.P. for further information.

**b. Spending Exceptions.**

**Six-Month Exception.** The second exception to the rebate requirement is available to all tax-exempt bonds, all of the gross proceeds of which are expended during six months. The six month rule is available to bonds issued after the effective date of the Tax Reform Act of 1986. See the discussion of effective dates on page two. For this purpose, proceeds used for the redemption of bonds (other than proceeds of a refunding bond deposited to an escrow fund to discharge refunded bonds) can not be taken into account as expended. As such, bonds with excess gross proceeds generally can not satisfy the second exception unless the amount does not exceed the lesser of five percent or \$100,000 and such de minimis amount must be expended within one year.

Certain gross proceeds are not subject to the spend-out requirement, including amounts deposited to a bona fide debt service fund, to a reserve fund and amounts which become gross proceeds received from purpose investments. These amounts themselves, however, may be subject to rebate even though the originally expended proceeds were not. The Code provides a special rule for tax and revenue anticipation notes (i.e., obligations issued to pay operating expenses in anticipation of the receipt of taxes and other revenues). Such notes are referred to as TRANs. To determine the timely expenditure of the proceeds of a TRAN, the computation of the "cumulative cash flow deficit" is important. If the "cumulative cash flow deficit" (i.e., the point at which the operating expenditures of the issuer on a cumulative basis exceed the revenues of the issuer during the fiscal year) occurs within the first six months of the date of issue and must be equal to at least 90 percent of the proceeds of the TRAN, then the notes are deemed to satisfy the exception. This special rule requires, however, that the deficit actually occur, not that the issuer merely have an expectation that the deficit will occur. In lieu of the statutory exception for TRANs, the regulations also provide a second exception. Under this exception, 100 percent of the proceeds must be spent within six months, but before note proceeds can be considered spent, all other available amounts of the issuer must be spent first ("proceeds-spent-last" rule). In determining whether all available amounts are spent, a reasonable working capital reserve equal to five percent of the prior year's expenditures may be set aside and treated as unavailable.

**18-Month Exception.** The regulations also establish a non-statutory exception to arbitrage rebate if all of the gross proceeds (including investment earnings) are expended within 18 months after the date of issue. Under this exception, 15 percent of the gross proceeds must be expended within a six-month spending period, 60 percent within a 12-month spending period and 100 percent within an 18-month spending period. The rule permits an issuer to rely on its reasonable expectations for computing investment earnings which are included as gross

proceeds during the first and second spending period. A reasonable retainage not to exceed five percent of the sale proceeds of the issue is not required to be spent within the 18-month period but must be expended within 30 months. Rules similar to the six-month exception relate to the definition of gross proceeds.

*Two Year Exception.* Bonds issued after December 19, 1989 (i.e., the effective date of the Omnibus Reconciliation Act of 1989), at least 75 percent of the net proceeds of which are to be used for construction, may be exempted from rebate if the gross proceeds are spent within two years. Bonds more than 25 percent of the proceeds of which are used for acquisition or working capital may not take advantage of this exception. The exception applies only to governmental bonds, qualified 501(c)(3) bonds and private activity bonds for governmentally-owned airports and docks and wharves. The two-year exception requires that at least 10 percent of the available construction proceeds must be expended within six months after the date of issue, 45 percent within 12 months, 75 percent within 18 months and 100 percent within 24 months. The term "available construction proceeds" generally means sale proceeds of the bonds together with investment earnings less amounts deposited to a qualified reserve fund or used to pay costs of issuance. Under this rule, a reasonable retainage not to exceed five percent need not be spent within 24 months but must be spent within 36 months.

The two-year rule also provides for numerous elections which must be made not later than the date of issuance of the bonds. Once made, the elections are irrevocable. Certain elections permit an issuer to bifurcate bond issues, thereby treating only a portion of the issue as a qualified construction bond; and, permit an issuer to disregard earnings from reserve funds for purposes of determining "available construction proceeds." Another election permits an issuer to pay the alternative penalty amount discussed above in lieu of rebate if the issuer ultimately fails to satisfy the two-year rule. Issuers should discuss these elections with their financial advisors prior to issuance of the bonds. Of course, McCall, Parkhurst & Horton L.L.P. remains available to assist you by providing legal interpretations thereof.

*Debt Service Funds.* Additionally, an exception to the rebate requirement, whether or not any of the previously discussed exceptions are available, applies for earnings on "bona fide debt service funds." A "bona fide debt service fund" is one in which the amounts are expended within 13 months of the accumulation of such amounts by the issuer. In general, most interest and sinking funds (other than any excess taxes or revenues accumulated therein) satisfy these requirements. For private activity bonds, short term bonds (i.e., have a term of less than five years) or variable rate bonds, the exclusion is available only if the gross earnings in such fund does not exceed \$100,000, for the bond year. For other bonds issued after November 11, 1988, no limitation is applied to the gross earnings on such funds for purposes of this exception. Therefore, subject to the foregoing discussion, the issuer is not required to take such amounts into account for purposes of the computation.

**FOR BONDS ISSUED AFTER THE EFFECTIVE DATE OF THE TAX REFORM ACT OF 1986 WHICH WERE OUTSTANDING AS OF NOVEMBER 11, 1988, OTHER THAN PRIVATE ACTIVITY BONDS, SHORT TERM BONDS OR VARIABLE RATE BONDS, A ONE-TIME ELECTION MAY BE MADE TO EXCLUDE EARNINGS ON "BONA FIDE DEBT SERVICE FUNDS" WITHOUT REGARD TO THE \$100,000, LIMITATION. THE ELECTION MUST BE MADE IN WRITING (AND MAINTAINED AS PART OF THE ISSUER'S BOOKS AND**

**RECORDS) NO LATER THAN THE LATER OF MARCH 21, 1990, OR THE FIRST DATE A REBATE PAYMENT IS REQUIRED.**

**Conclusion**

McCall, Parkhurst & Horton L.L.P. hopes that this memorandum will prove to be useful as a general guide to the arbitrage rebate requirements.

Again, this memorandum is not intended as an exhaustive discussion nor as specific advice with respect to any specific transaction. We advise our clients to seek competent financial and accounting assistance. Of course, we remain available to provide legal advice regarding all federal income tax matters, including arbitrage rebate. If you have any questions, please feel free to contact either Harold T. Flanagan or Faust N. Bowerman at (214) 754-9200.

Exhibit "B"

LAW OFFICES

**McCALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
1800 ONE AMERICAN CENTER  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: (512) 478-3805  
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD  
NINTH FLOOR  
DALLAS, TEXAS 75201-6587  
TELEPHONE: (214) 754-9200  
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET  
1525 ONE RIVERWALK PLACE  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: (210) 225-2800  
FACSIMILE: (210) 225-2984

September 9, 2008

Mr. David Flores  
County Auditor  
301 Southeast Inner Loop, Suite 106  
Georgetown, Texas 78626

Re: Williamson County, Texas  
Limited Tax Note, Series 2008

Dear Mr. Flores:

As you know, the Williamson County, Texas (the "Issuer") will issue the captioned note in order to provide for the acquisition and construction of the project. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the project or to be deposited to the interest and sinking fund for the captioned note. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of note proceeds and that investment of these amounts be at a yield which is not higher than the yield on the captioned note. For this purpose, please refer to line 21(e) of the Form 8038-G included in the transcript of proceedings for the yield on the captioned note.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the project or to be deposited to the interest and sinking fund must be invested in obligations the combined yield on which does not exceed the yield on the note. Importantly, for purposes of administrative convenience, the note, however, has been structured in such a way as to avoid, for the most part, this restriction on investment yield. They also contain certain covenants relating to expenditures of proceeds designed to alert you to unintentional failures to comply with the laws affecting expenditures of proceeds and dispositions of property. **IMPORTANTLY, THE PROCEEDS OF THE NOTES MAY NOT BE USED TO FINANCE EMPLOYEE COMPENSATION, INCLUDING SALARIES OR RETIREMENT PAYMENTS, OR TO PAY SERVICE CONTRACT EXPENSES WITHOUT SUBJECTING THE NOTES TO ADDITIONAL FEDERAL INCOME TAX REQUIREMENTS.**

First, the sale and investment proceeds to be used for the project may be invested for up to three years without regard to yield. (Such amounts, however, may be subject to rebate.) Thereafter, they must be invested at or below the note yield. Importantly, expenditure of these proceeds must be accounted in your books and records. Allocations of these expenditures must occur within 18 months of the later of the date paid or the date the project is completed. The foregoing notwithstanding, the allocation should not occur later than 60 days after the earlier

of (1) of five years after the delivery date of the note or (2) the date the note is retired unless you obtain an opinion of bond counsel.

Second, the interest and sinking fund is made up of amounts which are received annually for the payment of current debt service on all the Issuer's outstanding note. Any taxes or revenues deposited to the interest and sinking fund which are to be used for the payment of current debt service on the captioned note, or any other outstanding note, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of these amounts. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Third, a portion of the interest and sinking fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes or revenues deposited to the interest and sinking fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the note or \$100,000.

Accordingly, you should review the current balance in the interest and sinking fund in order to determine if such balance exceeds the aggregate amounts discussed above. Additionally, in the future it is important that you be aware of these restrictions as additional amounts are deposited to the interest and sinking fund. The amounts in this fund which are subject to yield restriction would only be the amounts which are in excess of the sum of (1) the current debt service account and (2) the "minor portion" account. Moreover, to the extent that an additional note or notes are issued by the Issuer, whether for new money projects or for refunding, these amounts will change in their proportion.

The Order contains covenants that require the Issuer to comply with the requirements of the federal tax laws relating to the tax-exempt obligations. The Internal Revenue Service (the "Service") has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under the Internal Revenue Code. **Accordingly, the Issuer should retain such materials, records and information for the period beginning on the issue date of the captioned note and ending three years after the date the captioned note is retired. Please note this federal tax law standard may vary from state law standards.** The material, records and information required to be retained will generally be contained in the transcript of proceedings for the captioned note, however, the Issuer should collect and retain additional materials, records and information to ensure the continued compliance with federal tax law requirements. For example, beyond the transcript of proceedings for the note, the Issuer should keep schedules evidencing the expenditure of note proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of note proceeds. In the event that you have questions relating to record retention, please contact us.

Finally, you should notice that the order contains a covenant that limits the ability of the Issuer to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding notes), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the note. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of the yield restriction rules as applied to amounts deposited to the interest and sinking fund. Moreover, this letter does not address the rebate consequences with respect to the interest and sinking fund and you should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P.

cc: Ms. Carol D. Polumbo

Exhibit "C"

**CERTIFICATE OF ELECTION PURSUANT TO SECTION 148(f)(4)(C)  
OF THE INTERNAL REVENUE CODE OF 1986**

I, the undersigned, being the duly authorized representative of the Williamson County, Texas (the "Issuer") hereby state that the Issuer elects the provisions of section 148(f)(4)(C) of the Internal Revenue Code of 1986 (the "Code"), relating to the exception to arbitrage rebate for temporary investments, as more specifically designated below, with respect to the Issuer's Limited Tax Note, Series 2008 (the "Bonds") which are being issued on the date of delivery of the Bonds in a face amount equal to \$10,000,000. The CUSIP Number for the Bonds is stated on the Form 8038-G filed in connection with the Bonds. The Issuer intends to take action to comply with the two-year temporary investments exception to rebate afforded construction bonds under section 148(f)(4)(C) of the Code. Capitalized terms have the same meaning as defined in the Federal Tax Certificate.

☐

1. **PENALTY ELECTION.** In the event that the Issuer should fail to expend the "available construction proceeds" of the Bonds in accordance with the provisions of section 148(f)(4)(C) of the Code, the Issuer elects, in lieu of rebate, the penalty provisions of section 148(f)(4)(C)(vii)(I) of the Code.

☐

2. **RESERVE FUND ELECTION.** The Issuer elects to exclude from "available construction proceeds," within the meaning of section 148(f)(4)(C)(vi) of the Code, of the Bonds, earnings on the Reserve Fund in accordance with section 148(f)(4)(C)(vi)(IV) of the Code.

☐

3. **MULTIPURPOSE ELECTION.** The Issuer elects to treat that portion of the Bonds the proceeds of which are to be used for the payment of expenditures for construction, reconstruction or rehabilitation of the Projects, as defined in the instrument authorizing the issuance of the Bonds, in an amount which is currently expected to be equal to \$\_\_\_\_\_, as a separate issue in accordance with the provisions of section 148(f)(4)(C)(v)(II) of the Code. *(Note: This election is not necessary unless, less than 75 percent of the proceeds of the Bonds will be used for construction, reconstruction or renovation.)*

☐

4. **ACTUAL FACTS.** For purposes of determining compliance with section 148(f)(c) of the Code (other than qualification of the Bonds as a qualified construction issue), the Issuer elects to use actual facts rather than reasonable expectations.

☐

5. **NO ELECTION.**

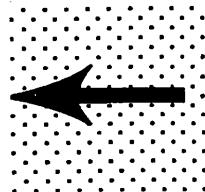
The Issuer understands that the elections which are adopted as evidenced by the check in the box adjacent to the applicable provision are ***irrevocable***. Further, the Issuer understands that qualification of the Bonds for eligibility for the exclusion from the rebate requirement set forth in section 148(f) of the Code is based on subsequent events and is unaffected by the Issuer's expectations of such events as of the date of delivery of the Bonds. ***Accordingly, while failure to execute this certificate and to designate the intended election does not preclude qualification, it would preclude the Issuer from the relief afforded by such election.***

DATED:

*Please  
do not  
date*



County Judge  
Williamson County, Texas  
301 Southeast Inner Loop, Suite 106  
Georgetown, Texas 78626  
Employer I.D. Number: 74-6000978



DATED:

*Please  
do not  
date*

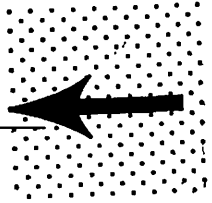


WILLIAMSON COUNTY, TEXAS

By:

County Judge

*[Handwritten signature]*



**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)

► See separate Instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

<b>Part I Reporting Authority</b>		If Amended Return, check here ► <input type="checkbox"/>	
1 Issuer's name <b>WILLIAMSON COUNTY, TEXAS</b>	2 Issuer's employer identification number <b>74 6000978</b>		
3 Number and street (or P.O. box if mail is not delivered to street address) <b>301 SOUTHEAST INNER LOOP</b>	Room/suite <b>106</b>	4 Report number <b>3</b>	
5 City, town, or post office, state, and ZIP code <b>GEORGETOWN, TEXAS 78626</b>		6 Date of issue <b>9-29-08</b>	
7 Name of issue <b>LIMITED TAX NOTE, SERIES 2008</b>		8 CUSIP number	
9 Name and title of officer or legal representative whom the IRS may call for more information <b>DAVID FLORES, COUNTY AUDITOR</b>		10 Telephone number of officer or legal representative ( <b>512</b> ) <b>943-1500</b>	

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe ►	18
19 If obligations are TANs or RANs, check box ► <input type="checkbox"/> If obligations are BANs, check box ► <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box ► <input type="checkbox"/>	

<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>				
(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	\$	\$	years	%

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>	
22 Proceeds used for accrued interest	22
23 Issue price of entire issue (enter amount from line 21, column (b))	23
24 Proceeds used for bond issuance costs (including underwriters' discount)	24
25 Proceeds used for credit enhancement	25
26 Proceeds allocated to reasonably required reserve or replacement fund	26 -0-
27 Proceeds used to currently refund prior issues	27 -0-
28 Proceeds used to advance refund prior issues	28 -0-
29 Total (add lines 24 through 28)	29
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>		N/A
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	►	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	►	years
33 Enter the last date on which the refunded bonds will be called	►	
34 Enter the date(s) the refunded bonds were issued	►	

<b>Part VI Miscellaneous</b>	
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35 -0-
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a -0-
b Enter the final maturity date of the guaranteed investment	
37 Pooled financings: a Proceeds of this issue that are to be used for governmental units	37a -0-
b If this issue is a loan made from the proceeds of another issue, check box ► <input type="checkbox"/> and enter the name of the issuer ►	N/A
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(iii) (small issuer exception), check box ► <input type="checkbox"/>	
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ► <input type="checkbox"/>	
40 If the issuer has identified a hedge, check box ► <input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative \_\_\_\_\_ Date \_\_\_\_\_  
DAVID U. FLORES  
COUNTY AUDITOR  
Type or print name and title

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

<b>Part I Reporting Authority</b>			If Amended Return, check here <input type="checkbox"/>	
<b>1</b> Issuer's name <b>WILLIAMSON COUNTY, TEXAS</b>		<b>2</b> Issuer's employer identification number <b>74 6000978</b>		
<b>3</b> Number and street (or P.O. box if mail is not delivered to street address) <b>301 SOUTHEAST INNER LOOP</b>		<b>Room/suite</b> <b>106</b>	<b>4</b> Report number <b>3</b>	
<b>5</b> City, town, or post office, state, and ZIP code <b>GEORGETOWN, TEXAS 78626</b>			<b>6</b> Date of issue <b>9-29-08</b>	
<b>7</b> Name of Issue <b>LIMITED TAX NOTE, SERIES 2008</b>			<b>8</b> CUSIP number	
<b>9</b> Name and title of officer or legal representative whom the IRS may call for more information <b>DAVID FLORES, COUNTY AUDITOR</b>			<b>10</b> Telephone number of officer or legal representative <b>( 512 ) 943-1500</b>	

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
<b>11</b> <input type="checkbox"/> Education	<b>11</b>
<b>12</b> <input type="checkbox"/> Health and hospital	<b>12</b>
<b>13</b> <input type="checkbox"/> Transportation	<b>13</b>
<b>14</b> <input type="checkbox"/> Public safety	<b>14</b>
<b>15</b> <input type="checkbox"/> Environment (including sewage bonds)	<b>15</b>
<b>16</b> <input type="checkbox"/> Housing	<b>16</b>
<b>17</b> <input type="checkbox"/> Utilities	<b>17</b>
<b>18</b> <input type="checkbox"/> Other. Describe ►	<b>18</b>
<b>19</b> If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
<b>20</b> If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>				
<b>(a)</b> Final maturity date	<b>(b)</b> Issue price	<b>(c)</b> Stated redemption price at maturity	<b>(d)</b> Weighted average maturity	<b>(e)</b> Yield
<b>21</b>	\$	\$	years	%

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>	
<b>22</b> Proceeds used for accrued interest	<b>22</b>
<b>23</b> Issue price of entire issue (enter amount from line 21, column (b))	<b>23</b>
<b>24</b> Proceeds used for bond issuance costs (including underwriters' discount)	<b>24</b>
<b>25</b> Proceeds used for credit enhancement	<b>25</b>
<b>26</b> Proceeds allocated to reasonably required reserve or replacement fund	<b>26</b> -0-
<b>27</b> Proceeds used to currently refund prior issues	<b>27</b> -0-
<b>28</b> Proceeds used to advance refund prior issues	<b>28</b> -0-
<b>29</b> Total (add lines 24 through 28)	<b>29</b>
<b>30</b> Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	<b>30</b>

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>		N/A
<b>31</b> Enter the remaining weighted average maturity of the bonds to be currently refunded	►	years
<b>32</b> Enter the remaining weighted average maturity of the bonds to be advance refunded	►	years
<b>33</b> Enter the last date on which the refunded bonds will be called	►	
<b>34</b> Enter the date(s) the refunded bonds were issued	►	

<b>Part VI Miscellaneous</b>	
<b>35</b> Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	<b>35</b> -0-
<b>36a</b> Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	<b>36a</b> -0-
<b>b</b> Enter the final maturity date of the guaranteed investment contract	
<b>37</b> Pooled financings: a Proceeds of this issue that are to be used to governmental units	<b>37a</b> -0-
<b>b</b> If this issue is a loan made from the proceeds of another issuer, check box <input type="checkbox"/> and enter the name of the issuer	N/A
<b>38</b> If the issuer has designated the issue under section 265(b)(3)(B)(i)(II) (small issuer exception), check box	<input type="checkbox"/>
<b>39</b> If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>
<b>40</b> If the issuer has identified a hedge, check box	<input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

**DAVID U. FLORES**  
**COUNTY AUDITOR**

Signature of issuer's authorized representative Date Type or print name and title