

LAW OFFICES
M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE 512 478-3805
FACSIMILE 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE 210 225-2800
FACSIMILE 210 225-2984

M E M O R A N D U M

DATE: November 12, 2008
TO: Williamson County
FROM: C.D. Pumbo
RE: Industrial Development Corporations and Conduit Financings

This memorandum summarizes the major steps for Williamson County, Texas (the "County") to create an Industrial Development Corporation ("IDC") under Texas Civil Statutes Article 5190.6 (the "Act") and some of the issues related to creating an IDC which issues bonds for qualifying projects.

Pursuant to Section 4 of the Act, an IDC must be created by 3 qualified voters within the County filing a written application with the County requesting approval of an IDC. If the County determines that an IDC should be created, the County must formally approve the IDC's articles of incorporation by resolution, appoint directors and specify the public purpose or purposes of the IDC which is limited by the Act to the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare. The Commissioners Court can serve as directors or qualified voters in the County can be appointed to serve as directors.

An IDC may, pursuant to the Act, issue bonds for an authorized project and loan the bond proceeds to another entity to construct or develop the authorized project. *Section 22 of the Act protects the County from liability for repayment of any bonds issued by the IDC by stating that such bonds do not constitute a debt of the County or a pledge of the faith and credit of the County.* Furthermore, any IDC bonds must be payable solely from one or more of the following sources (1) revenues realized from the lease or sale of a project, (2) revenues realized from a loan made by an IDC to finance or refinance in whole or in part a project, or (3) revenues from a 380 agreement with a city. This provides additional protection to the County since Texas law does not currently allow for any other funds to secure bonds issued by an IDC (although a mortgage against the project funded by the bonds may also be granted).

As further protection, the documents prepared in connection with any bond issue will include full indemnity to the County from any borrower to cover any costs related to serving as the bond issuer. The most typical use of industrial development corporation is as a conduit issuer for small issue manufacturing facilities.