

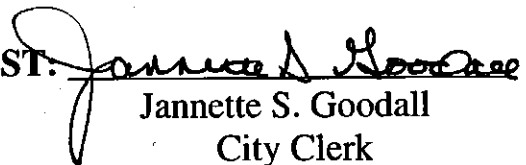
**RESOLUTION NO. 20150507-021**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

Council authorizes the Northtown Municipal Utility District (District) to issue in one or more series its Unlimited Tax and Revenue Refunding Bonds, Series, 2015, in a principal amount not to exceed \$8,740,000, and approves a substantial draft of the District's Bond Order (Exhibit 1) and the Preliminary Official Statement (Exhibit 2). This refunding does not authorize the extension of the maturity of the bonds being refunded.

**ADOPTED:** May 7, 2015

**ATTEST:**

  
Jannette S. Goodall  
City Clerk

# EXHIBIT 1

## CERTIFICATE FOR ORDER

THE STATE OF TEXAS                   §  
COUNTY OF TRAVIS                   §  
NORTHTOWN MUNICIPAL  
UTILITY DISTRICT                   §

We, the undersigned officers of the Board of Directors of the Northtown Municipal Utility District (the "District") hereby certify as follows:

1. The Board of Directors of the District convened in REGULAR MEETING ON THE 24TH DAY OF FEBRUARY, 2015, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

Robin Campbell, President  
Brenda Richter, Vice President  
Kathy Haught, Secretary  
Chris Capers, Asst. Secretary  
Felix Amaro, Treasurer

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**ORDER AUTHORIZING THE ISSUANCE OF NORTHTOWN MUNICIPAL  
UTILITY DISTRICT UNLIMITED TAX AND REVENUE REFUNDING BONDS;  
AUTHORIZING THE LEVY OF AN AD VALOREM TAX IN SUPPORT OF THE  
BONDS; ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT,  
A BOND PURCHASE AGREEMENT AND AN ESCROW AGREEMENT;  
APPROVING AN OFFICIAL STATEMENT; ESTABLISHING THE PROCEDURES  
FOR SELLING AND DELIVERY OF THE BONDS; AND OTHER MATTERS  
RELATED TO THE ISSUANCE OF THE BONDS**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that the Order be passed; and, after due discussion, the motion, carrying with it the passage of the Order, prevailed and carried by the following vote:

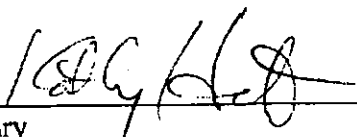
AYES:           5

NOES:           0

2. A true, full and correct copy of the aforesaid Order passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Order has been

duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Order would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Chapter 49, Texas Water Code, as amended.

**SIGNED AND SEALED** this 24th day of February, 2015.

  
\_\_\_\_\_  
Secretary  
Board of Directors

  
\_\_\_\_\_  
President  
Board of Directors

(SEAL)

ORDER AUTHORIZING THE ISSUANCE OF  
NORTHTOWN MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BONDS;  
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OF THE BONDS; ENTERING INTO A PAYING AGENT/REGISTRAR  
AGREEMENT, A BOND PURCHASE AGREEMENT AND AN ESCROW AGREEMENT:  
APPROVING AN OFFICIAL STATEMENT; ESTABLISHING THE PROCEDURES  
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AND OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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---

<b>THE STATE OF TEXAS</b>	<b>§</b>
<b>COUNTY OF TRAVIS</b>	<b>§</b>
<b>NORTHTOWN MUNICIPAL UTILITY DISTRICT</b>	<b>§</b>

**WHEREAS**, by Order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "Commission"), dated August 14, 1985, the Northtown Municipal Utility District (the "District") was authorized to be created as a municipal utility district operating pursuant to Article 16, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; and

**WHEREAS**, the creation of the District was confirmed at an election held within the District on December 21, 1985 (the "Confirmation Election"); and

**WHEREAS**, the District currently has outstanding the following series of bonds: Unlimited Tax and Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax and Revenue Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax and Revenue Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax and Revenue Refunding Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), Unlimited Tax and Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") and Unlimited Tax and Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds") (collectively, the "Outstanding Bonds"); and

**WHEREAS**, the District now desires to issue refunding bonds to refund all or part of the Outstanding Bonds (the "Refundable Bonds", and those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate, each as defined herein, to be refunded are herein referred to as the "Refunded Bonds"); and

**WHEREAS**, all the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

**WHEREAS**, the refunding bonds hereafter authorized are being issued and delivered pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"); and

**WHEREAS**, Chapter 1207 authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Bonds or eligible trust company or commercial bank, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

**WHEREAS**, Chapter 1207 further authorizes the District to enter into an escrow agreement with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such escrow agent may agree, provided that such deposits may be invested and reinvested in Defeasance Securities, as defined herein; and

**WHEREAS**, the Escrow Agreement hereinafter authorized, constitutes an agreement of the kind authorized and permitted by Chapter 1207; and

**WHEREAS**, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve a net present value debt service savings of not less than 4.25% of the principal amount of the Refunded Bonds net of any District contribution with such savings, among other information and terms to be included in a Pricing Certificate to be executed by the Pricing Officer, both as hereinafter defined, all in accordance with the provisions of Chapter 1207, including Section 1207.007 thereof; and

**THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE NORTHTOWN MUNICIPAL UTILITY DISTRICT:**

**Section 1. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION.** Each Bond issued pursuant to this Bond Order shall be known and designated as "Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bond," and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$8,740,000 for the purpose of refunding the Refunded Bonds and paying certain costs of issuing the Bonds. The title of the Bonds shall be designated by the year in which it is awarded pursuant to Section 3 below and in the event that another series of bonds is issued by the Board within a calendar year each series within that year will have a letter designation following the year. The authority of the Pricing Officer to execute a Pricing Certificate shall expire at 5:00 p.m. C.D.T. on August 24, 2015. Bonds priced on or before 5:00 p.m. C.D.T. on August 24, 2015 may be delivered to the initial purchaser after such date.

**Section 2. DEFINITIONS.** In addition to other words and terms defined in this Order (except those defined and used in the Form of the Bonds in Section 5), and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

"Accretion Table" means the exhibit attached to the Pricing Certificate that sets forth the rounded original principal amounts at the Issuance Date for the Premium Compound Interest Bonds

and the Accreted Values and maturity amounts thereof as of each Compounding Date until final maturity.

"Additional Bonds" means the Bonds authorized by Section 14 of this Order.

"Authorized Denominations" means the denomination of \$5,000 or any integral multiple thereof with respect to the Current Interest Bonds and in the denomination of \$5,000 in maturity amount or any integral multiple thereof with respect to the Premium Compound Interest Bonds.

"Bonds" means and includes collectively the Premium Compound Interest Bonds and Current Interest Bonds initially issued and delivered pursuant to this Bond Order and the Pricing Certificate and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Bond Insurer" means the insurer of the bonds, if any, as designated in the Pricing Certificate.

"Bond Order" or "Order" means this Bond Order of the Board of Directors authorizing the issuance of the Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" means the Texas Commission on Environmental Quality.

"Compounded Amount" means, with respect to a Premium Compound Interest Bond, as of any particular date of calculation, the original principal amount thereof plus all interest accrued and compounded to the particular date of calculation.

"Compounding Dates" means the dates on which interest is compounded on the Premium Compound Interest Bonds as set forth in the Accretion Table attached to the Pricing Certificate.

"Contract" shall mean the "Utility Construction Contract between the City of Austin and Northtown Municipal Utility District" dated as of August 31, 1984, and any and all supplements or amendments thereto.

"Contract Facilities" shall mean the project as defined in the Contract.

"Current Interest Bonds" means the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Pricing Certificate.

"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 Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to

investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

"Escrow Agent" means BOKF, NA dba Bank of Texas any successors escrow agent under the Escrow Agreement.

"Escrow Agreement" means the agreement by and between the District and the Escrow Agent relating to the defeasance of the Refunded Bonds.

"Federal Securities" 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).

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Section 4 of this Bond Order.

"Interest Payment Date" means a date on which interest on the Current Interest Bonds is due and payable as set forth in the Pricing Certificate.

"Interest and Sinking Fund" shall have the meaning as set forth in Section 6.

"Issuance Date" means the date of delivery of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" shall mean income or increment which may grow out of the ownership and operation of the District's System, less such portion of such revenue income as reasonably may be required to provide for the administration, efficient operation and adequate maintenance of the District's System; provided, however, that the term Net Revenues shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District to be paid to any person pursuant to a contract authorized by Section 552.014, Texas Local Government Code, as amended (formerly Article 1109j, Texas Revised Civil Statutes, as amended) or any other contract permitted by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project.

"Outstanding Bonds" means the District's outstanding Northtown Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2006, dated April 1, 2006, issued in the original principal amount of \$4,500,000; Northtown Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2007, dated October 1, 2007, issued in the original principal amount of \$6,005,000;

Northtown Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2009, dated April 1, 2009, issued in the original principal amount of \$7,560,000, Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2010, dated November 1, 2010, issued in the original principal amount of \$5,895,000, Northtown Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2011, dated October 1, 2011, issued in the original principal amount of \$4,790,000, Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2012, dated September 1, 2012, issued in the original principal amount of \$3,850,000 and Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2014, dated August 1, 2014, issued in the original principal amount of \$3,340,000.

"Premium Compound Interest Bonds" means the Bonds on which no interest is paid prior to maturity, maturing in various amounts and in the aggregate principal amount as set forth in the Pricing Certificate.

"Pricing Certificate" means the Pricing Certificate of the District's Pricing Officer to be executed and delivered pursuant to Section 3 hereof in connection with the Bonds.

"Pricing Officer" means Robin Campbell, the President of the Board of the District or in his absence Felix Amaro, the Treasurer of the Board, acting as the designated pricing officer of the District to execute the Pricing Certificate.

"Redemption Date" means a date fixed for redemption of any Bond pursuant to the terms of this Bond Order.

"Refundable Bonds" means any of the Outstanding Bonds.

"Refunded Bonds" means those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate to be refunded.

"Registrar" or "Paying Agent/Registrar" means BOKF, NA dba Bank of Texas, or such other bank, trust company, financial institution, or other entity as may hereafter be designated by the District to act as paying agent/ and registrar for the Bonds in accordance with the terms of this Bond Order.

"Registration Books" means the books and records kept and maintained by the Paying Agent/Registrar relating to the registration, transfer, exchange and payment of the Bonds and the interest thereon.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Special Project Bonds" shall mean those bonds authorized pursuant to Section 14 of this Bond Order.

"System" means the works, improvements, facilities, plants, equipment, and appliances comprising the waterworks, sanitary sewer, and drainage system of the District now owned or to be hereafter purchased, constructed, or otherwise acquired whether by deed, contract, or otherwise, together with any additions or extensions thereto or improvement and replacements thereof, except the Contract Facilities and the water and/or sewer and/or drainage facilities which the District may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

"Underwriter(s)" means the purchaser(s) of the Bonds as set forth in the Pricing Certificate.

**Section 3. DATE, DENOMINATIONS, NUMBERS, DELEGATION TO PRICING OFFICER.** (a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Compound Interest Bonds, numbered consecutively from R-1 upward, in the case of Current Interest Bonds, and from PC-1 upward, in the case of Premium Compound Interest Bonds (except the initial Bonds delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1 and upward, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof, in Authorized Denominations, maturing not later than September 1, 2031, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Order and shall be filed in the minutes of the Board as a part of this Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Order and carrying out the other procedures specified in this Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Compound Interest Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, obtaining a rating on the Bonds, including execution of a rating application, procuring municipal bond insurance, if any, from the applicable Bond Insurer selected by the Pricing Officer and approving modifications to this Order related to the procurement of such insurance and executing such instruments, documents and agreements as may be necessary with respect thereto, if it is determined by the Pricing Officer that procuring such insurance would be financially desirable and advantageous, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium

Compound Interest Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a net present value debt service savings of at least 4.25% of the principal amount of the Refunded Bonds, net of any District contribution. In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 1 of this Order, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds.

In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Board of Directors hereby determines that the delegation of the authority to the Pricing Officer to approve the method of sale and final terms and conditions of the Bonds as set forth in this Order is, and the decisions made by the Pricing Officer pursuant to such delegated authority and incorporated in the Pricing Certificate will be, in the District's best interests and shall have the same force and effect as if such determination were made by the Board of Directors, and the Pricing Officer is hereby authorized to make and include in the Pricing Certificate an appropriate finding to that effect.

(c) To achieve advantageous borrowing costs for the District, the Bonds shall be sold on a negotiated, placement or competitive basis as determined by the Pricing Officer in the Pricing Certificate. In determining whether to sell the Bonds by negotiated, placement or competitive sale, the Pricing Officer shall take into account any material disclosure issues which might exist at the time, the market conditions expected at the time of the sale and any other matters which, in the judgment of the Pricing Officer, might affect the net borrowing costs on the Bonds.

If the Pricing Officer determines that the Bonds should be sold at a competitive sale, the Pricing Officer shall cause to be prepared a notice of sale and official statement in such manner as the Pricing Officer deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale.

If the Pricing Officer determines that the Bonds should be sold by a negotiated sale or placement, the Pricing Officer shall designate the placement purchaser or the senior managing underwriter for the Bonds and such additional investment banking firms as the Pricing Officer deems appropriate to assure that the Bonds are sold on the most advantageous terms to the District. The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a purchase agreement or other agreement for the Bonds to be sold by negotiated sale or placement, with the underwriters or placement purchasers at such price, with and subject to such terms as determined by the Pricing Officer pursuant to Section 3(b) above.

(d) The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in this Order to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

The Premium Compound Interest Bonds shall bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to

the Compounded Amounts thereof), compounded on the Compounding Dates as set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bonds at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate, if Premium Compound Interest Bonds are to be issued, shall be the Accretion Table. The Accreted Value with respect to any date other than a Compounding Date is the amount set forth on the Accretion Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Accretion Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

**Section 4. CHARACTERISTICS OF THE BONDS.** (a) Registration, Transfer, Conversion and Exchange; Authentication. The District shall keep or cause to be kept at the designated office for payment of BOKF, NA dba Bank of Texas (the "Paying Agent/Registrar") in Austin, Texas books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The District shall have the right to inspect the Registration Books 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. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BONDS set forth in this Order. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BONDS set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the Board of Directors of the District or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed



herein, and the Bonds shall be of typewritten, photocopied, printed, lithographed, engraved or produced in any other similar manner, all as determined by the officers executing such bond as evidenced by their execution thereof. Pursuant to Chapter 1201, Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Order, approved by the Attorney General, and registered by the Comptroller of Public Accounts of the State of Texas (the "Comptroller").

(b) Payment of Bonds and Interest. The District hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the District and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and replacements of Bonds, as provided in this Order. However, in the event of a nonpayment of interest on a scheduled payment date, and for 30 calendar 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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar 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 registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) shall be payable as to the principal of and interest, (vii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar at least 40 calendar days prior to any such redemption date), and (viii) shall be administered, and the Paying Agent/Registrar and the District shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BONDS set forth in this Order and in the Pricing Certificate. The Bond initially issued and delivered pursuant to this Order are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BONDS.

(d) Substitute Paying Agent/Registrar. The District covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the District will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Order, and that the Paying Agent/Registrar will be one entity. The District reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar,

to be effective at such time which will not disrupt or delay payment on the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the District covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the District. Upon any change in the Paying Agent/Registrar, the District promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Order and a certified copy of this Order shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry-Only System. The Bonds issued in exchange for the Bonds initially issued as provided in Section 3 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments

of principal, and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

(g) Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations of the District to DTC.

(h) Initial Bond. The Bonds herein authorized shall be initially issued as one fully registered Current Interest Bond and one or more Premium Compound Interest Bonds as provided in the Pricing Certificate. The Initial Bonds shall be registered in the name of the Underwriter or the designees thereof. The Initial Bonds shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Comptroller and delivered to the Underwriter. Immediately after the delivery of the Initial Bonds on the Issuance Date, the Paying Agent/Registrar shall cancel the Initial Bonds delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in Section 3, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(i) DTC Blanket Letter of Representations. The District confirms execution of a Blanket Issuer Letter of Representations with DTC establishing the Book-Entry-Only System which will be utilized with respect to the Bonds.

**Section 5. FORM OF BONDS.** The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller to be attached to the Bond initially issued and delivered pursuant to

this Order and the Pricing Certificate, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Order.

**FORM OF BONDS**

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BOND  
SERIES \_\_\_\_\_\***

**[FORM OF FIRST PARAGRAPH OF CURRENT INTEREST BONDS]**

**NO. R-**

**PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_**

**INTEREST RATE**

**DATE OF BONDS**

**MATURITY DATE**

**CUSIP NO.**

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

**ON THE MATURITY DATE** specified above, **NORTHTOWN MUNICIPAL UTILITY DISTRICT** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "registered owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from \_\_\_\_\_\*, payable on \_\_\_\_\_\*, and semiannually on each \_\_\_\_\_\* and \_\_\_\_\_\* thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined

\*To be completed as determined by the Pricing Officer in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

**THE PRINCIPAL OF AND INTEREST ON** this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at the designated office for payment of BOKF, NA dba Bank of Texas (the "Paying Agent/Registrar") in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on or before each such interest payment date, to the registered owner hereof, at its address as it appeared at the close of business on the 15<sup>th</sup> calendar day of the month (whether or not a business day) preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar 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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar 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 registered owner as it appears on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

**DURING ANY PERIOD** in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the District and the securities depository.

**ANY ACCRUED INTEREST** due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for payment at the designated office for payment of the Paying Agent/Registrar. The District covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and any redemption date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

[FORM OF FIRST PARAGRAPHS OF PREMIUM COMPOUND INTEREST BOND]

NO. PC-

MATURITY  
AMOUNT

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

INTEREST RATE      ISSUANCE DATE      MATURITY DATE      CUSIP NO.

REGISTERED OWNER:

MATURITY AMOUNT:

ON THE MATURITY DATE SPECIFIED ABOVE, NORTHTOWN MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Maturity Amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, calculated on the basis of a 360 day year comprised of twelve 30 day months, compounded semiannually on \_\_\_\_\_\* and \_\_\_\_\_\* of each year commencing \_\_\_\_\_, 20 \_\_\_\_\*. For convenience of reference a table of the "Accreted Value" per \$5,000 Maturity Amount is printed on the reverse side of this Bond. The term "Accreted Value" as set forth in the table on the reverse side hereof shall mean the original principal amount plus initial premium per \$5,000 Maturity Amount compounded semiannually on \_\_\_\_\_\* and \_\_\_\_\_\* at the yield shown on such table.

THE MATURITY AMOUNT of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, at the designated office for payment of BOKF, NA dba Bank of Texas which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the

\*To be completed as determined by the Pricing Officer in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

**[FORM OF REMAINDER OF EACH BOND]**

**IF THE DATE** for any payment due on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**THIS BOND** is one of a series of Bonds dated as of \_\_\_\_\_\* and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$ \_\_\_\_\_\* [constituting \$ \_\_\_\_\_ Current Interest Bonds and \$ \_\_\_\_\_ Premium Compound Interest Bonds]\*\* **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

(Insert Redemption Provisions as provided in the Pricing Certificate)

**ON** \_\_\_\_\_\* **OR ON ANY DATE THEREAFTER**, the Current Interest Bonds maturing on and after \_\_\_\_\_\*, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). [The Premium Compound Interest Bonds are not subject to redemption prior to maturity.]\*\*

**[THE BONDS MATURING ON** \_\_\_\_\_\*, \_\_\_\_\_\* **AND** \_\_\_\_\_\* (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

\*To be completed as determined by the Pricing Officer in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

\*\*To be included only if Current Interest Bonds and Premium Compound Interest Bonds are both issued and completed as determined in the Pricing Certificate.

Term Bonds Maturing \_\_\_\_\_, 20\_\_

Redemption Date	Principal Amount
_____, 20__	\$ _____
_____, 20__ <sup>†</sup>	\$ _____ <sup>†</sup>

<sup>†</sup>Final Maturity

**THE PRINCIPAL AMOUNT** of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with monies in the Interest and Sinking Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.]\*

**AT LEAST** 30 calendar days prior to the date fixed for any redemption of Current Interest Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Current Interest Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. By the date fixed for any such redemption due provision shall be made with the Registrar for the payment of the required redemption price for the Current Interest Bonds or portions for which such payment is made, all as provided above. The Current Interest Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Registrar out of the funds provided for such payment. If a portion of any Current Interest Bond shall be redeemed, a substitute Current Interest Bond or Bonds having the same maturity date, bearing interest at the same rate, in any authorized denomination or denominations, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Order.

**WITH RESPECT TO** any optional redemption of the Current Interest Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Current Interest Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of

\*Use of Term Bonds, if any, to be determined by the Pricing Officer in the Pricing Certificate.



redemption, such notice shall state that said redemption may, at the option of the District, 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 redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Current Interest Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Current Interest Bonds have not been redeemed.

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000 in the case of the Current Interest Bonds and integral multiple \$5,000 maturity amount in the case of Premium Compound Interest Bonds. As provided in the Bond Order, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

**WHENEVER** the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

**IN THE EVENT** any Paying Agent/Registrar for the Bonds is changed by the District, resigns, or otherwise ceases to act as such, the District has covenanted in the Bond Order that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

**THE BONDS** are payable from the proceeds of a tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bonds are further payable from the District's Net Revenues (as defined in the Bond Order), if any. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes and Net Revenues, if any, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or direct obligations of the United States or obligations unconditionally guaranteed by the United States in an amount sufficient to defease the Bonds is deposited with or made available to the Paying Agent/Registrar in accordance with the Bond Order or (ii) the City of Austin, Texas (the "City") dissolves the District, and assumes the obligations of the District pursuant to existing Texas law and the Consent Agreement between the District and the City.

**THE BONDS** are issued pursuant to the Bond Order, whereunder the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Order, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due the other contractual obligations of the issuer payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Bond Order. The Bonds are further payable from the Net Revenues, if any, of the System. Reference is hereby made to the Bond Order for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the registered owners of the Bonds. By acceptance of this Bond the registered owner hereof consents to all of the provisions of the Bond Order, a certified copy of which is on file in the office of the District.

**THE OBLIGATION** to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the registered owner of this Bond.

**THE DISTRICT RESERVES THE RIGHT** to issue (i) additional bonds equally secured by a pledge of taxes and Net Revenues or from taxes only; (ii) bonds, notes, and other obligations of inferior liens; and (iii) revenue bonds, payable solely from contracts with other persons, including private corporations, municipalities, and political subdivisions to finance facilities needed in performing any such contracts. Reference is made to the Bond Order for a complete description of the right to issue additional obligations.

**TO THE EXTENT** permitted by and in the manner provided in the Bond Order, the terms and provisions of the Bond Order and the rights of the registered owners of the Bonds may be modified with, in certain circumstances, the consent of the registered owners of a majority in aggregate principal amount of the Bonds affected thereby; provided, however, that, without the consent of the registered owners of all of the Bonds affected, no such modification shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

**THIS BOND** shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Order unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated as evidenced by execution of the authentication certificate endorsed hereon by the Paying Agent/Registrar.

**IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED** that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District and by the pledge of Net Revenues, if any, as described above; and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

**IT IS FURTHER CERTIFIED** that the District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

**IN WITNESS WHEREOF**, the District has caused this Bond to be signed with the manual or facsimile signature of the President or Vice-President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the

Board of Directors of the District, and has caused the official seal of the District to be duly impressed, or placed in facsimile, on this Bond.

**NORTHTOWN MUNICIPAL  
UTILITY DISTRICT**

\_\_\_\_\_  
Secretary [Assistant Secretary],  
Board of Directors

\_\_\_\_\_  
President [Vice-President],  
Board of Directors

(SEAL)

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**(To be executed if this Bond is not accompanied by an  
executed Registration Certificate of the Comptroller  
of Public Accounts of the State of Texas)**

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated:

**BOKF, NA dba Bank of Texas**  
Paying Agent/Registrar

By \_\_\_\_\_  
Authorized Representative

**FORM OF ASSIGNMENT:**

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_

---

Please insert Social Security or Taxpayer  
Identification Number of Transferee

---

---

(Please print or typewrite name and address,  
including zip code of Transferee)

---

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

**FORM OF REGISTRATION CERTIFICATE OF  
THE COMPTROLLER OF PUBLIC ACCOUNTS**

**COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.**

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

---

Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

### **INSERTIONS FOR THE INITIAL BOND**

1. The initial Current Interest Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

**"ON THE MATURITY DATE SPECIFIED BELOW**, Northtown Municipal Utility District (the "District"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on \_\_\_\_\_\* in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
--------------------------	-----------------------------	--------------------------

(Information from Pricing Certificate to be inserted)

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from \_\_\_\_\_\* at the respective Interest Rate per annum specified above. Interest is payable on \_\_\_\_\_\* and semiannually on each \_\_\_\_\_\* and \_\_\_\_\_\* thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The initial Bond for a Current Interest Bond shall be numbered "T-1."

2. The Initial Premium Compound Interest Bond shall be in the form set forth in this Section, except that:

\_\_\_\_\_  
\*To be completed as determined by the Pricing Officer in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

**"ON THE MATURITY DATE SPECIFIED BELOW**, Northtown Municipal Utility District (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Payment at Maturity on \_\_\_\_\_\* in each of the years and in installments of the respective Maturity Amounts set forth in the following schedule:

<u>Year</u>	<u>Maturity Amount</u>	<u>Interest Rate</u>
-------------	------------------------	----------------------

(Information from Pricing Certificate to be inserted)

The amount shown above as the respective Maturity Amounts represent the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on \_\_\_\_\_\* and \_\_\_\_\_\* of each year commencing \_\_\_\_\_. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

C. The initial Premium Compound Interest Bond shall be numbered "TPC-1."

**Section 6. SECURITY FOR THE BONDS.** (a) Pledge and Levy of Taxes. For each year while any Bond is outstanding and the District remains in existence, the Board shall consider the taxable property in the District and determine the actual rate of the bond tax and/or the maintenance tax per \$100 valuation of taxable property which is to be levied in that year, and levy the bond tax and/or the maintenance tax against all taxable property in the District.

(i) Annual Budget. Prior to determining the bond tax and/or maintenance tax to be levied for any calendar year, the Board shall adopt an annual budget for the District setting forth the estimated expenditures and disbursements of the District's receipts, revenues, and funds, the estimated receipts, revenues and funds and the sources thereof, and the District's debt service for the succeeding fiscal year. The budget shall be developed in accordance with generally accepted accounting procedures, and shall contain such budgetary items and provisions as may be reasonably necessary to reflect adequately the operations and activities of the District for the annual period

\*As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

covered by the budget. The board shall not determine the bond tax and/or maintenance tax to be levied for any calendar year until the Board has approved an annual budget for the expenditure and disbursement of the receipts, revenues and funds of the District.

- (ii) Establishment of District Interest and Sinking Fund and Levy of Bond Tax. A special fund or account, to be designated the Northtown Municipal Utility District Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created and shall be established and maintained by the District at its official depository bank. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District, and shall be used only for paying the principal, interest and redemption price of the Bonds. All taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds are outstanding and unpaid, the District shall compute and ascertain the rate and amount of ad valorem tax, based on the latest approved tax rolls of the District, with full allowances being made for tax delinquencies and costs of tax collections, which will be sufficient to raise and produce the money required to make payment of the principal and interest on the Bonds. The rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied without limit as to rate or amount and is hereby levied without limit as to rate or amount against all taxable property in the District for each year while any of the Bonds are outstanding and unpaid, and such ad valorem tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. In determining the rate of tax to be levied, assessed and collected, the District may take into account the amount of funds on hand in the Interest and Sinking Fund including the amounts therein from the deposit of Net Revenues. The ad valorem taxes and the Net Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as same become due.

- (b) Pledge of Net Revenues. The District covenants and agrees that the Net Revenues, if any, are hereby pledged for payment of the Bonds. The revenues hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against any parties of any kind having a claim of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof.

To the extent provided by law, such pledge of Net Revenues and taxes will terminate if the City takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law and the Consent Agreement.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:



(i) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(ii) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(iii) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

(c) Perfection. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of taxes and revenues granted by the District under Section 7 of this Order, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of taxes and revenues granted by the District under Section 7 of this Order is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District 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 & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

**Section 7. DEFEASANCE OF BONDS.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") 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 Bond, 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 (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar 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 District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Order, and such principal and interest shall be payable

solely from such money or Defeasance Securities and thereafter the District will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar as provided in this Section may at the discretion of the Board of Directors 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 pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

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

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

## **Section 8. FUNDS, FLOW OF FUNDS, APPLICATION OF FUNDS AND INVESTMENTS.**

(a) Designation of Funds. The following funds are hereby created or affirmed:

- (i) the Operating Fund;
- (ii) the Interest and Sinking Fund; and
- (iii) the Escrow Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Interest and Sinking Fund shall constitute a trust fund which shall be held in trust for the benefit of the owners of the Bonds. All other funds shall be used solely as provided in this Order.

(b) Operating Fund. The Operating Fund shall comprise the fund of the District for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of the ownership and operation of the System unless derived from contracts with other persons, including private corporations, municipalities, and political subdivisions which, under the terms of the authorizing orders, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts, and the District may deposit to the credit of the Operating Fund such other income or receipts of the District not otherwise required to be applied by this Order. The Operating Fund shall be used solely to (i) pay all reasonable expenses of the administration, efficient operation, and adequate maintenance of the System, (ii) transfer from time to time any excess to the credit of the Interest and Sinking Fund when needed to pay the obligations of the District payable therefrom, and (iii) to the extent the balance of the Interest and Sinking Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Interest and Sinking Fund, to pay any other expense of the District.

(c) Escrow Fund. The proceeds from the sale of the Bonds after paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund as described in the Escrow Agreement.

(d) Interest and Sinking Fund. The Interest and Sinking Fund shall comprise the interest and sinking fund of the District. The District shall deposit to the credit of the Interest and Sinking Fund (i) accrued interest on the Bonds from their date to the date of their delivery, (ii) collections of District taxes or Net Revenues, if any, to the extent provided in Section 7(a) and 7(b) hereof and (iii) amounts transferred from the Operating Fund to the extent provided in paragraph (b) of this Section 8. The Interest and Sinking Fund, including interest earnings or amounts deposited therein, shall be applied solely to pay the principal or redemption price of and interest on the Bonds when due, and the fees of the Paying Agent/Registrar.

(e) Investment of Funds. The Board may place money in any fund created by this Order in time or demand deposits or invest such moneys as authorized by law at the time of such deposit. The District hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in any fund shall be deemed to be a part of such fund. Except as otherwise provided by

law or by this Order, amounts received from the investment of any money in any fund created by this Bond Order, except the Interest and Sinking Fund and Escrow Fund which shall be applied as set forth in Section 8(c) and (d) above, may be placed into any fund of the District as determined by the Board.

(f) Security for Funds. All funds created by this Bond Order shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

**Section 9. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED.** The President of the Board of Directors of the District is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller. Upon registration of the Bonds said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the District, be printed on the Bonds issued and delivered under this Order, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if a municipal bond insurance policy is obtained, the Bonds may bear an appropriate legend as provided by such Bond Insurer.

**Section 10. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.** (a) The District covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds 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 District covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the Refunded Bonds or the projects financed or refinanced 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 of the Bonds or the Refunded Bonds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the District, 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 Bonds, 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 Bonds or the Refunded Bonds or the projects financed or refinanced 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 Bonds (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 Bonds 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 Bonds 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 Bonds, 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 Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond, for a period of 90 days and in the case of an advance refunding bond, for a period of 30 days,

(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 Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds 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 Bonds) 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 Bonds 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; and

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the District 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 District 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 Bonds. It is the understanding of the District 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 Bonds, the District 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 Bonds 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 Bonds, the District 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 Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President or Vice President of the Board of Directors to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

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

(e) Designation as Qualified Tax-Exempt Bonds. The Pricing Officer is authorized to designate the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code, if the District qualifies to make such designation at the time of the pricing of the Bonds, conditioned upon the purchaser identified in the Pricing Certificate certifying that the aggregate initial offering price of the Bonds to the public (excluding any accrued interest) is no greater than \$10,000,000 (or such amount permitted by section 265 of the Code). Assuming such condition is met and the Pricing Officer makes such designation in the Pricing Certificate, the District represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Bonds, will result in more than \$10,000,000 (or such amount permitted by section 265 of the Code) of "qualified tax-exempt obligations" being issued; (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$10,000,000 (or such amount permitted by section 265 of the Code); and, (c) that the District will

take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code. The Pricing Officer may modify the foregoing representations, covenants and warranties in the Pricing Certificate as necessary and appropriate to comply with applicable provisions of the Code in existence at the time of pricing of the Bonds.

**Section 11. SALE OF BONDS.** The Bonds shall be sold and delivered, pursuant to a bond purchase agreement by and between the District and Underwriter at a price and under the terms set forth in the Pricing Certificate. The bond purchase agreement is hereby approved in substantially the form used for the District's last refunding with such changes as approved by the Pricing Officer.

**Section 12. GENERAL COVENANTS OF THE DISTRICT.** The District covenants and represents that:

(1) It has lawful power to issue the Bonds and to pledge the Net Revenues and has lawfully exercised such power under the Constitution and laws of the State of Texas.

(2) The Bonds shall be ratably secured in such manner that no one Bond shall have preference over other Bonds.

(3) Except for the pledge to the payment of the Bonds and the Outstanding Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the District or of the System.

(4) It has obtained or will obtain and will comply with the terms and conditions of all franchises, permits, and authorizations and will maintain same in full force and effect.

(5) It will proceed to acquire and construct with all due diligence and dispatch so much of the System as shall have been financed with the proceeds of the Bonds.

(6) It will levy an ad valorem tax that will be sufficient to provide funds to pay the interest on the Bonds and to provide the necessary sinking fund, all as described in Section 6 of this Order.

(7) It shall keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year. Such audits shall be in accordance with applicable law, rules, and regulations in effect from time to time, including particularly Section 49.191 of the Texas Water Code, as amended, and the Water District Accounting Manual adopted by the Commission. A copy of such audit shall be filed in the office of the District and shall be open to inspection by any interested person during normal office hours. The District shall allow any holder or holders of not less than 25% in principal amount of the bonds then outstanding to inspect the System and all records, accounts, and data of the District relating thereto at all reasonable times and

shall furnish a copy of such audit report to any such holder or holders upon request upon payment to the District of the charge therefor as prescribed by law.

(8) The President, the Vice President, the Secretary, and all other officers of the Board from time to time, or any of them, are hereby authorized and directed to do any and all things required for the construction of the System and are further authorized and directed to make money of the District available for the payment of the Bonds in the manner provided by law and herein.

(9) So long as any of the Bonds or the Additional Bonds remain outstanding, the District covenants that it will at all times maintain the System or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound management principles. In operating and maintaining the System, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body having jurisdiction over the District.

**Section 13. REMEDIES OF REGISTERED OWNERS.** In addition to all rights and remedies of any registered owner of the Bonds provided by the laws of the State of Texas the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Order to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Order, the registered owner of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Order. No delay or omission by any registered owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Order shall be available to the registered owners of the Bonds as provided herein and shall be cumulative of all other lasting remedies.

**Section 14. ADDITIONAL BONDS, SPECIAL PROJECT BONDS AND REFUNDING BONDS.** (a) Additional Bonds, Inferior Obligations and Refunding Bonds. The District expressly reserves the right to issue in one or more installments or issues, additional bonds heretofore voted but unissued and bonds hereafter voted and payable from a lien on and pledge of taxes and revenues on a parity with and of equal dignity with the pledge for the Bonds; and bonds, notes and other obligations of inferior liens. This District further reserves the right to issue refunding bonds, notes or other obligations in any manner permitted by law to refund any Bonds, Additional Bonds, bonds, notes or other obligations at or prior to their respective dates of maturity or redemption.



(b) Special Project Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds.

**Section 15. APPROVAL OF OFFERING DOCUMENTS, PAYING AGENT/REGISTRAR AGREEMENT AND ESCROW AGREEMENT.** The Pricing Officer is hereby authorized to approve the Preliminary Official Statement and the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto, and to deem such document final in accordance with Rule 15c2-12, the Board further approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriter in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Paying Agent/Registrar Agreement by and between the District and BOKF, NA dba Bank of Texas ("Paying Agent Agreement") in substantially the form previously approved by the District is hereby approved and the Pricing Officer is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement, as necessary.

The Escrow Agreement by and between the District and BOKF, NA dba Bank of Texas as Escrow Agent ("Escrow Agreement") in substantially the form previously approved by the District is hereby approved, and the Pricing Officer is hereby authorized to complete, amend, modify and execute the Escrow Agreement, as necessary.

The Pricing Officer and the Escrow Agent are each hereby authorized (a) to subscribe for, agree to purchase, and purchase Defeasance Securities that are permitted investments for a defeasance escrow established to defease Refunded Bonds, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved, and (b) to authorize such contributions to the escrow fund as are provided in the Escrow Agreement.

**Section 16. DAMAGED, MUTILATED, LOST, STOLEN OR DESTROYED BONDS.** (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the District and to the Paying Agent/Registrar such

security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the District and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the District whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B of Texas Government Code, Chapter 1206, this Section of this Order shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(a) of this Order for Bonds issued in conversion and exchange for other Bonds.

**Section 17. ORDER A CONTRACT, AMENDMENTS.** The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Order shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in this Section. The District may, without the consent of or notice to any holders of Bonds, from time to time and at any time amend this Order in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent (expressed as provided herein) of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of the holders of all of the Bonds affected, no such amendment addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places, or the coin or currency in which, any Bond or the interest thereon is payable or in any other way modify the terms of payment of the principal of

or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. Whenever the District shall desire to make any amendment or addition to or rescission of this Order requiring the consent of holders of the Bonds, the District shall cause notice of the amendment, addition, or rescission to be published at least once a week for two consecutive weeks in a newspaper or financial journal of general circulation in the City of Austin, Texas, the first of each such publications being at least 30 days prior to the date of adoption of such amendment, addition, or rescission. If, because of temporary or permanent suspension of publication or general circulation of such newspapers or journals, it is impossible or impracticable to publish such notice in the manner provided herein, then such publication in lieu thereof as the District shall deem satisfactory shall constitute sufficient publication of such notice. Whenever, at any time within one year after the date of the first publication of such notice, the District shall receive an instrument or instruments in writing executed by the holders of a majority in aggregate principal amount of the Bonds then outstanding affected by any such amendment, addition, or rescission requiring the consent of holders of Bonds, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the District may adopt such amendment addition, or rescission in substantially such form, except as herein provided. No holder of Bonds may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

**Section 18. PARTIES INTEREST HEREIN.** Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Bond Insurer and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the District shall be for the sole and exclusive benefit of the District and the registered owners of the Bonds.

**Section 19. OPEN MEETING.** It is hereby officially found and determined that the meeting at which this Order is adopted, was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

**Section 20. REFUNDING OF REFUNDED BONDS.** That concurrently with the delivery of the Bonds, the Pricing Officer shall cause to be deposited an amount from the proceeds of the sale of the Bonds with the Escrow Agent sufficient, together with other legally available funds of the District, if any, to provide for the refunding and defeasance of the Refunded Bonds, which are hereby called for redemption on the date determined by the Pricing Officer in the Pricing Certificate. The Pricing Officer is further authorized and directed to apply and there is hereby appropriated such moneys of the District as are necessary to fund the Escrow Fund to be established by the Escrow Agreement with amounts sufficient to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the

Escrow Agent the Notices of Redemption with respect to the Refunded Bonds in the manner required by the documents authorizing the issuance of such Refunded Bonds.

**Section 21. AMENDMENTS.** (a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the right from time to time to approve any amendment to this Bond Order which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 21, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Order or the Bonds so as to:

- (1) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (2) reduce the rate of interest borne by any of the outstanding Bonds;
- (3) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (4) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;
- (5) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or
- (6) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Order it may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein, then such publication in lieu thereof as shall be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Registration Books maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all Registered Owners of Bonds.

(c) Consent to Amendment. Whenever at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other services of written notice the District shall receive an instrument or instruments executed by the Registered Owners of at least 51% in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and shall specifically consent to and approve such amendment, the District may adopt the amendatory resolution or order in substantially the same form.

(d) Effect of Amendment. Upon the adoption of any amendatory resolution or order pursuant to the provisions of this Section, this Bond Order shall be deemed to be amended in accordance with such amendatory resolution or order, and the respective rights, duties, and obligations under such amendatory resolution or order of all the Registered Owners shall thereafter be determined and exercised subject in all respects to such amendments.

(e) Consent of Registered Owners. Any consent given by a Registered Owners pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the Bonds during such period. Such consent may be revoked by the Registered Owner who gave such consent at any time after six months from the date of the first giving of such notice, or by a successor in title, by filing notice thereof with the Registrar and the District, but such revocation shall not be effective if the Registered Owners of 51% in aggregate principal amount of the then outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (f) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners. The District may, at any time, amend this Bond Order to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of the Registered Owners, provided that no such amendment shall be made contrary to the provision to Section 21(a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

**Section 22. DISTRICT'S SUCCESSORS AND ASSIGNS.** Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

**Section 23. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS.** No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing the Bonds.

**Section 24. PAYING AGENT/REGISTRAR.** The Paying Agent/Registrar shall act as agent for the payment of principal of and interest on the Bonds and shall maintain the Register for the Bonds, all in accordance with the terms of this Bond Order. If the Paying Agent/Registrar or its successor becomes unable for any reason to act as Paying Agent/Registrar hereunder, or if the Board of Directors of the District determines that a successor Paying Agent/Registrar should be appointed, a successor Paying Agent/Registrar shall be selected by the District. Any successor Paying Agent/Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

**Section 25. PAYING AGENT/REGISTRAR MAY OWN BONDS.** The Paying Agent/Registrar, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Registrar.

**Section 26. BENEFITS OF ORDER PROVISIONS.** Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

**Section 27. UNAVAILABILITY OF AUTHORIZED PUBLICATION.** If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Bond Order shall be given in such other manner and at such time or times as in the judgment of the District shall most effectively approximate such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Order be deemed to be in compliance with the requirements for publication thereof.

**Section 28. SEVERABILITY CLAUSE.** If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

**Section 29. FURTHER PROCEEDINGS.** The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Bond Order.

**Section 30. PAYMENT OF ATTORNEY GENERAL FEE.** The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds 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 District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

**Section 31. CONTINUING DISCLOSURE UNDERTAKING.** (a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 15 of this Order, being the information designated by the Pricing Officer in the Pricing Certificate. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "A" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if material within the meaning of the federal securities laws;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;

- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws;
- H. Bond calls, if material within the meaning of the federal securities laws, and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the District;
- M. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and
- N. Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 13.01 of this Order that causes the Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or



equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under this Section shall comprise a breach of or default under this Order for purposes of any other provision of this Order.

Should the Rule be amended to obligate the District to make filings with or provide notices to entities other than the MSRB, the District hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent

that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

**Section 32. OTHER ACTIONS.** The President, Vice President, Treasurer, Secretary or Assistant Secretary of the Board of Directors of the District, and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered 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 under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President, Treasurer, Secretary or Assistant Secretary of the Board of Directors of the District, the District's Attorney 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 as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of the Bond Insurer, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

**Section 33. ADDITIONAL BOND INSURANCE PROVISIONS.** Bond Counsel is authorized to insert any necessary provisions required by the Bond Insurer and agreed to by the District in the Pricing Certificate executed by the Pricing Officer.

## **EXHIBIT "A"**

### **CONTINUING DISCLOSURE UNDERTAKING**

#### **Accounting Principles**

The accounting and reporting policies of the District relating to the funds and account groups will conform to generally accepted accounting principles (GAAP) as applied to governmental entities.

# EXHIBIT 2

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 24 2015

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: S&P Insured "\_\_\_" (\_\_\_ outlook); Moody's Underlying "\_\_\_"  
See "MUNICIPAL BOND RATINGS AND INSURANCE"

*Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS." See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.*

\$7,155,000\*

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
(A Political Subdivision of the State of Texas Located in Travis County, Texas)  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015**

Dated Date: July 1, 2015

Due: September 1, as shown on the inside cover page

Interest on the Bonds maturing on September 1, 2017\* (the "Capital Appreciation Bonds") will accrue from the date of delivery, will be compounded March 1 and September 1 of each year, commencing September 1, 2015, and will be payable only upon maturity. See "APPENDIX B - Schedule of Accreted Values." Interest on the Bonds maturing on September 1 in each of the years 2015\* and 2016\* and September 1, 2018\* through 2031\* (the "Current Interest Bonds") will accrue from the Dated Date, and will be payable March 1 and September 1 of each year, commencing September 1, 2015. The Current Interest Bonds and the Capital Appreciation Bonds are collectively referred to herein as the "Bonds." The definitive Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the paying agent/registrant to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Paying Agent" or "Paying Agent/Registrant"). The Bonds will be issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of \$5,000 of principal amount or integral multiples thereof, and the Capital Appreciation Bonds will be issued in amounts which mature in \$5,000 denominations, or integral multiples thereof, including both principal and interest. See "APPENDIX B - Schedule of Accreted Values."

The Bonds are being issued to: (i) currently refund a portion of the District's outstanding Unlimited Tax and Revenue Bonds, Series 2007 to achieve a debt service savings; (ii) advance refund a portion of the District's Unlimited Tax and Revenue Bonds, Series 2009 and Unlimited Tax and Revenue Refunding Bonds, Series 2010, to achieve a debt service savings; and (iii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING." The Current Interest Bonds maturing on and after September 1, 2023, are subject to redemption prior to maturity at the option of the District in whole or from time to time in part on September 1, 2022 or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_. See "BOND INSURANCE."

Insurance Logo

**MATURITY SCHEDULE**  
(see inside cover page)

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

The Bonds are offered for delivery when, as and if issued by the District, subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the underwriter listed below (the "Underwriter") by its counsel, \_\_\_\_\_, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on July 2, 2015

\* Preliminary; subject to change

**Hutchinson, Shockey, Erley & Co.**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITIES**  
**\$7,090,000\***  
**Current Interest Bonds**  
**(Due September 1)**

Due	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>	Due	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>
2015	\$ 105,000	_____ %	_____ %	_____	2024 <sup>(a)</sup>	\$ 380,000	_____ %	_____ %	_____
2016	30,000	_____ %	_____ %	_____	2025 <sup>(a)</sup>	400,000	_____ %	_____ %	_____
2018	20,000	_____ %	_____ %	_____	2026 <sup>(a)</sup>	425,000	_____ %	_____ %	_____
2019	885,000	_____ %	_____ %	_____	2027 <sup>(a)</sup>	445,000	_____ %	_____ %	_____
2020	925,000	_____ %	_____ %	_____	2028 <sup>(a)</sup>	470,000	_____ %	_____ %	_____
2021	755,000	_____ %	_____ %	_____	2029 <sup>(a)</sup>	490,000	_____ %	_____ %	_____
2022	355,000	_____ %	_____ %	_____	2030 <sup>(a)</sup>	510,000	_____ %	_____ %	_____
2023 <sup>(a)</sup>	355,000	_____ %	_____ %	_____	2031 <sup>(a)</sup>	540,000	_____ %	_____ %	_____

(Accrued Interest from July 1, 2015 to be added)

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Current Interest Bonds maturing on and after September 1, 2023, in whole or from time to time in part, on September 1, 2022, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Current Interest Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Current Interest Bonds are designated as term Current Interest Bonds by the Underwriter. See "THE BONDS – Redemption."
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Current Interest Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter. Accrued interest from July 1, 2015 to the date of delivery of the Current Interest Bonds to the Underwriter will be added to the purchase price.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**\$65,000\***  
**Premium Capital Appreciation Bonds <sup>(a)</sup>**  
**(Due September 1)**

Due	Initial Offering Price	Original Principal Amount	Purchase Price Per \$5,000 at Maturity	Initial Reoffering Yield <sup>(b)</sup>	Total Payment at Maturity <sup>(c)</sup>	CUSIP Number <sup>(d)</sup>
2017	\$ 65,000	_____	_____	_____ %	_____	_____

(Interest accrues from date of delivery)

- (a) The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. See "THE BONDS – Redemption."
- (b) The initial reoffering yields on the Capital Appreciation Bonds are established by, and are the sole responsibility of, the Underwriter, and may subsequently be changed. Initial reoffering yields represent the initial offering price to the public of a substantial amount of the Capital Appreciation Bonds of each maturity which may be changed for subsequent purchasers.
- (c) Interest is compounded semiannually on each March 1 and September 1, commencing September 1, 2015 and payable only at stated maturity.
- (d) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

\* Preliminary, subject to change.

**INSURANCE DISCLAIMER TO COME**

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## **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District's General Counsel, for further information.

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

NEITHER THE DISTRICT, THE FINANCIAL ADVISOR, NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities.

### **Securities Laws**

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



## MUNICIPAL BOND RATINGS AND INSURANCE

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC, business ("S&P") is expected to assign a rating of "\_\_\_\_\_" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by \_\_\_\_\_ ("\_\_\_\_\_" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "\_\_\_\_\_" to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect of the market price of the Bonds.

## BOND INSURANCE

**To Come**

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## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE DISTRICT

The District .....	Northtown Municipal Utility District (the "District") is a political subdivision of the State of Texas created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), adopted on August 14, 1985 and confirmed at an election held within the District on December 21, 1985, which operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage to the approximately 1,224.34 acres within its boundaries, all of which lie within Travis County, Texas. See "THE DISTRICT - Location."
Location .....	The District is located in Travis County, approximately 15 miles northeast of Austin's central business district. The District lies wholly within the extraterritorial jurisdiction of the City of Austin and is situated adjacent to the city limits of the City of Pflugerville. Of the approximately 1,224.34 acres within the District, approximately 997.33 acres are developable. Access to the District is provided by Interstate Highway 35 and Farm to Market Road 1825. See "THE DISTRICT - Location."
The Developer .....	Village @ Northtown Ltd. ("Village" or the "Developer") owns approximately 327 acres within the District, of which approximately 272 acres are developable. Village has informed the District that it intends to develop the approximately 272 acres as a mixed use development including detached single family residential, attached single family residential, multifamily residential, office, retail and commercial uses. Pursuant to an agreement with Travis County, Village has caused the construction of the extensions of two arterial roadways, Wells Branch Parkway and Heatherwilde Boulevard, through the District, together with certain associated utility mains and stormwater detention facilities. These improvements, which are now complete, were necessary for development of the Village tracts. In 2009, the City of Austin and Travis County approved (i) a preliminary subdivision plan of the entire Village property, and (ii) the final subdivision plat of Village at Northtown, Section One, consisting of nine (9) retail lots and one (1) multifamily residential lot collectively covering 35.03 acres. In October 2010, an approximate 12.53 acre parcel was sold to the Pflugerville Independent School District ("Pflugerville ISD") for a new elementary school site. A revision to the District's land use plan to designate this parcel for a school was approved by the District and the City of Austin and the elementary school opened in August 2012. A revision to the approved preliminary subdivision plan pertaining to approximately 18.75 acres of land for detached single family residential and attached single family residential development across Harris Ridge Blvd. from the new school site was approved in December 2011. Final platting of this area is complete, but no single family home construction on the Village property has yet commenced.
Status of Development .....	The District contains approximately 997.33 developable acres, of which approximately 776.33 acres (or 77.84 % of the developable acres) have been developed with utility facilities as eleven residential subdivisions containing a total of 2,956 platted single family lots as of April 1, 2015. As of the same date, the District contained a total of 2,878 completed single family homes (of which 2,863 homes were occupied), no homes under construction and 78 vacant but developed single family lots. Additionally, the District contains the following multi-family development: Parkway at Northtown (86 multi-family units); Parkside at Northtown (144 multi-family units); Villas at Techridge (350 multi-family units); and The Lakes at Techridge (336 multi-family units). See "THE DISTRICT - Historical and Current Status of Development."

## THE BONDS

Description .....	<p>The Current Interest Bonds are serial bonds in the aggregate principal amount of \$7,090,000* maturing annually in varying amounts on September 1 of each of the years 2015* and 2016* and 2018* through 2031*. Interest accrues on the Current Interest Bonds from July 1, 2015 at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2015 and each March 1 and September 1 thereafter until maturity. The Capital Appreciation Bonds will be issued in the original principal amount of \$65,000* and will mature together with interest accreted from initial delivery on September 1, 2017*. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the rate per annum set forth on the inside cover page hereof and compounds each March 1 and September 1 commencing September 1, 2015 until maturity. The Current Interest Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity, and the Capital Appreciation Bonds are offered in fully registered form in denominations which result in total amounts due at maturity in integral multiples of \$5,000. See "THE BONDS - General Description."</p>
Redemption .....	<p>The Current Interest Bonds maturing on and after September 1, 2023 are subject to redemption in whole or from time to time in part at the option of the District on September 1, 2022, or any date thereafter, in integral multiples of \$5,000 at par plus accrued interest from the most recent interest payment date to the date of redemption. The Current Interest Bonds, if designated as Term Bonds, may also be subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."</p>
Source of Payment .....	<p>Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." The Bonds are further payable from and are secured by a pledge of certain net revenues (described herein), if any, the District receives in connection with the water, sanitary wastewater and drainage system (the "System") within the District, unless and until such pledge and lien are terminated as described herein (see "THE BONDS - Source of and Security for Payment"). It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contributions to the District's debt service requirements. <b>The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."</p>
Payment Record .....	<p>At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in principal amount of bonds for water, wastewater, and drainage facilities. The District has issued nine series of new money bonds and has \$35,213,000 remaining in authorized but unissued unlimited tax and revenue new money bonds. Additionally, the District has previously issued four series of refunding bonds in the original aggregate principal amount of \$15,590,000. After the issuance of the Bonds, the District will have outstanding new money bonds in the aggregate principal amount of \$6,820,000* and outstanding refunding bonds in the aggregate principal amount of \$17,865,000* for a combined outstanding debt in the aggregate principal amount of \$24,685,000* (the "Outstanding Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds - Table 6."</p> <p>The District has not defaulted in the payment of the principal and interest on the Outstanding Bonds. The District has utilized bond proceeds to capitalize interest from one to two years in connection with the new money Outstanding Bonds. See "FINANCIAL STATEMENT - Outstanding Bonds - Table 6."</p>

\*Preliminary; subject to change.

Authority for Issuance.....	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 1207 of the Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, and an order adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer as designated in the order (the order and pricing certificate are collectively referred to herein as the "Bond Order.") See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to: (i) refund a portion of the District's Unlimited Tax and Revenue Bonds, Series 2007 to achieve a debt service savings; (ii) advance refund a portion of the District's Unlimited Tax and Revenue Bonds, Series 2009 and Unlimited Tax and Revenue Refunding Bonds, Series 2010, to achieve a debt service savings; and (iii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING - The Refunded Bonds," and "- Estimated Sources and Uses Of Funds."
Bonds Authorized But Unissued.....	At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in bonds for water, wastewater, and drainage facilities. To date, the District has issued nine installments of bonds to acquire utility facilities in the aggregate principal amount of \$34,230,000, and \$35,213,000 in bonds remain authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax and Revenue Bonds Authorized but Unissued", "Outstanding Bonds" and "THE BONDS - Issuance of Additional Debt." In addition, District voters authorized the issuance of \$97,670,000 in Contract Bonds, none of which have been issued and none of which are currently expected to be issued in the future. See "THE DISTRICT - City of Austin Consent Agreement." See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS - Issuance of Additional Debt."
Municipal Bond Ratings and Insurance .....	Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "[ ]" ([ ] outlook) to the Bonds, as a result of a municipal bond insurance policy issued by [ ] (" " or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "[ ]" to the Bonds.
Qualified Tax-Exempt Obligations .....	The District expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2015 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
General Counsel .....	Armbrust & Brown, PLLC, Austin, Texas.
Bond Counsel .....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
Underwriter's Counsel .....	[ ], Texas
Financial Advisor .....	Public Finance Group LLC, Austin, Texas.

### INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

**SELECTED FINANCIAL INFORMATION**  
(Unaudited as of May 1, 2015)

2014 Certified Assessed Valuation	\$514,452,256 <sup>(a)</sup>
2015 Preliminary Assessed Valuation	- <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)	\$ 24,685,000 <sup>(c)</sup>
Ratio of Gross Debt to 2014 Certified Assessed Valuation	4.80%
Ratio of Gross Debt to 2015 Preliminary Assessed Valuation	0.00%

2014 Tax Rate			
	Debt Service	\$ 0.4343	
	Maintenance	0.3017	
	Total 2014 Tax Rate	<u>\$ 0.7360</u>	<sup>(d)</sup>

Debt Service Fund Balance (as of January 27, 2015)	\$ 2,326,620 <sup>(e)</sup>
--	-----------------------------

Percentage of current tax collections - (Tax Years 1997-2014)	98.71% <sup>(f)</sup>
---	-----------------------

Percentage of total tax collections - (Tax Years 1997-2014)	99.40% <sup>(f)</sup>
---	-----------------------

Projected Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Average Requirement") (2015-2025, inclusive)	\$ 2,159,381
---	--------------

Tax Rate required to pay Projected Average Requirement based upon 2014 Certified Assessed Valuation at 95% collections	\$ 0.45 /\$100 AV
--	-------------------

Tax Rate required to pay Projected Average Requirement based upon 2015 Preliminary Assessed Valuation at 95% collections	\$ - /\$100 AV
--	----------------

Projected Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Maximum Requirement") (2020)	\$ 2,245,019
---	--------------

Tax Rate required to pay Projected Maximum Requirement based upon 2014 Certified Assessed Valuation at 95% collections	\$ 0.46 /\$100 AV
--	-------------------

Tax Rate required to pay Projected Maximum Requirement based upon 2015 Preliminary Assessed Valuation at 95% collections	\$ - /\$100 AV
--	----------------

Number of active connections as of December 31, 2014	
Single Family - Occupied	2,863
Single Family - Unoccupied	15
Multi-Family - Duplexes (230 units) & Apartments (686 units)	6
Other <sup>(g)</sup>	<u>41</u>
Total Number of Active Connections	2,925

Estimated Population as of December 31, 2014	12,226 <sup>(h)</sup>
--	-----------------------

- (a) Assessed valuation of the District as of January 1, 2014 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2015, as provided by TCAD, is included solely for purposes of illustration. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds. Preliminary; subject to change.
- (d) The District levied a 2014 tax rate of \$0.7360. See "TAXING PROCEDURES."
- (e) Unaudited as of January 27, 2015. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA - Tax Collections."
- (g) Includes Vacant Irrigation (1), Schools (2), Non-Profit (2), Fire Hydrants (1), District connections (9), Commercial (1), Builder (1) and Irrigation connections (24).
- (h) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit. Of the 916 multi-family units, 882 units are occupied as of January 1, 2015.

**OFFICIAL STATEMENT**  
**relating to**  
**\$7,155,000\***  
**Northtown Municipal Utility District**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Northtown Municipal Utility District (the "District") of its \$7,155,000\* Unlimited Tax and Revenue Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on February 24, 2015 and a pricing certificate to be executed by the pricing officer authorized by the order (the order and pricing certificate are collectively referred to herein as the "Bond Order"), the Constitution and general laws of the State of Texas (the "State") including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District's Financial Advisor, Public Finance Group LLC, 7004 Bee Cave Road, Building 3, Suite 315, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

**PLAN OF FINANCING**

**Purpose**

At an election held within the District on December 21, 1985, the District's voters authorized the issuance of an aggregate principal amount of \$69,443,000 of unlimited tax and revenue bonds for the construction of the District's water, sanitary sewer and drainage system. The District has previously issued: \$1,000,000 Wastewater and Sewer System Unlimited Tax and Revenue Bonds, Series 1994 (the "Series 1994 Bonds"); \$995,000 Unlimited Tax and Revenue Bonds, Series 1997 (the "Series 1997 Bonds"); \$2,100,000 Unlimited Tax and Revenue Bonds, Series 2001 (the "Series 2001 Bonds"); \$3,510,000 Unlimited Tax and Revenue Bonds, Series 2002 (the "Series 2002 Bonds"); \$3,770,000 Unlimited Tax and Revenue Bonds, Series 2003 (the "Series 2003 Bonds"); \$2,505,000 Unlimited Tax and Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"); \$4,500,000 Unlimited Tax and Revenue Bonds, Series 2006 (the "Series 2006 Bonds"); \$6,005,000 Unlimited Tax and Revenue Bonds, Series 2007 (the "Series 2007 Bonds"); \$7,560,000 Unlimited Tax and Revenue Bonds, Series 2009 (the "Series 2009 Bonds"); \$5,895,000 Unlimited Tax and Revenue Refunding Bonds, Series 2010 (the "Series 2010 Bonds"); \$4,790,000 Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"); \$3,850,000 Unlimited Tax and Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"); and \$3,340,000 Unlimited Tax and Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds"). All of the previously issued series of bonds are collectively referred to as the "Outstanding Bonds." See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS." The District reserves the right to issue the remaining \$35,213,000 authorized but unissued bonds; however, the issuance of any such bonds is subject to certain limitations as provided in the Consent Agreement (defined herein). In addition, District voters authorized the issuance of \$97,670,000 in Contract Bonds, none of which has been issued and none of which are currently expected to be issued in the future. See "THE DISTRICT – City of Austin Consent Agreement." See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."

The Bonds are being issued to achieve a debt service savings in the years 2015 through 2031, inclusive, by refunding \$225,000\* of the District's Series 2007 Bonds\*, \$5,360,000\* of the District's Series 2009 Bonds\*, and \$1,570,000\* of the District's Series 2010 Bonds\* (collectively, the "Refunded Bonds"). See "PROJECTED DEBT SERVICE REQUIREMENTS."

\*Preliminary; subject to change.

### The Refunded Bonds\*

The principal amounts and maturity dates of the Refunded Bonds are set forth below.

Year	Series 2007	Series 2009	Series 2010	Total
2017	\$ 225,000	-	-	\$ 225,000
2018	-	-	-	-
2019	-	300,000	560,000	860,000
2020	-	325,000	585,000	910,000
2021	-	325,000	425,000	750,000
2022	-	350,000	-	350,000
2023	-	350,000	-	350,000
2024	-	375,000	-	375,000
2025	-	400,000	-	400,000
2026	-	425,000	-	425,000
2027	-	450,000	-	450,000
2028	-	475,000	-	475,000
2029	-	500,000	-	500,000
2030	-	525,000	-	525,000
2031	-	560,000	-	560,000
	<u>\$ 225,000</u>	<u>\$ 5,360,000</u>	<u>\$ 1,570,000</u>	<u>\$ 7,155,000</u>
Redemption Date:	8/7/2015	9/1/2016	9/1/2016	

### Remaining Outstanding Bonds\*

The following bonds will remain outstanding after issuance of the Bonds (collectively, the "Remaining Outstanding Bonds"):

Year	Series 2006	Series 2007	Series 2009	Series 2010	Series 2011	Series 2012	Series 2014	The Bonds	Total
2015	\$ 160,000	\$ 200,000	\$ 250,000	\$ 320,000	\$ 155,000	\$ 230,000	\$ 25,000	\$ 105,000	\$ 1,445,000
2016	-	225,000	250,000	340,000	165,000	410,000	30,000	30,000	1,450,000
2017	-	-	275,000	355,000	175,000	305,000	30,000	65,000	1,205,000
2018	-	-	275,000	375,000	185,000	335,000	25,000	20,000	1,215,000
2019	-	-	-	-	195,000	200,000	270,000	885,000	1,550,000
2020	-	-	-	-	205,000	220,000	270,000	925,000	1,620,000
2021	-	-	-	-	220,000	220,000	290,000	755,000	1,485,000
2022	-	-	-	450,000	230,000	240,000	290,000	355,000	1,565,000
2023	-	-	-	465,000	245,000	240,000	315,000	355,000	1,620,000
2024	-	-	-	485,000	260,000	265,000	335,000	380,000	1,725,000
2025	-	-	-	510,000	275,000	260,000	335,000	400,000	1,780,000
2026	-	-	-	250,000	295,000	285,000	355,000	425,000	1,610,000
2027	-	-	-	-	310,000	305,000	375,000	445,000	1,435,000
2028	-	-	-	-	330,000	305,000	395,000	470,000	1,500,000
2029	-	400,000	-	-	350,000	-	-	490,000	1,240,000
2030	-	430,000	-	-	370,000	-	-	510,000	1,310,000
2031	-	-	-	-	390,000	-	-	540,000	930,000
	<u>\$ 160,000</u>	<u>\$ 1,255,000</u>	<u>\$ 1,050,000</u>	<u>\$ 3,550,000</u>	<u>\$ 4,355,000</u>	<u>\$ 3,820,000</u>	<u>\$ 3,340,000</u>	<u>\$ 7,155,000</u>	<u>\$ 24,685,000</u>

\*Preliminary; subject to change.

## Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds and direct obligations of the United States of America to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A., dba Bank of Texas, (the "Escrow Agent"). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit with the Escrow Agent cash and direct obligations of the United States ("Federal Securities") in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective maturity dates and redemption dates, as applicable.

The District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the bond orders authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207, Texas Government Code, as amended. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Grant Thornton LLP, the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

## Estimated Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

### Sources of Funds:

Par Amount of Bonds	\$ _____
Original Issue Premium/Discount	_____
Accrued Interest on the Bonds	_____
Total Sources of Funds	\$ _____

### Uses of Funds:

Escrow Deposit	\$ _____
Costs of Issuance	_____
Underwriter's Discount	_____
Deposit to Debt Service Fund (Accrued Interest and Rounding Amount)	_____
Total Uses of Funds	\$ _____

## THE BONDS

### General Description

The Current Interest Bonds will bear interest from July 1, 2015 and will mature on September 1 in the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Current Interest Bonds will be paid on September 1, 2015 and each March 1 and September 1 (each, an "Interest Payment Date") thereafter until maturity or prior redemption. Interest on the Capital Appreciation Bonds will accrete from the date of delivery, will be compounded each March 1 and September 1 of each year, commencing September 1, 2015 and will be payable only upon maturity. See "Appendix B – Schedule of Accreted Values." The Capital Appreciation Bonds will be issued in the original principal amount of \$65,000\* and will mature together with interest accreting from initial delivery on July 2, 2015.

\*Preliminary; subject to change.



The Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, N.A., dba Bank of Texas (the "Paying Agent/Registrar").

### **Yield on Capital Appreciation Bonds**

The approximate yields of the Capital Appreciation Bonds as set forth on the inside cover page of this Official Statement are based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such Capital Appreciation Bonds plus premium, if any, equal to the amount by which such offering price exceeds the principal amount of such Capital Appreciation Bonds. The yield on the Capital Appreciation Bonds to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the Capital Appreciation Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

### **Redemption**

**Optional Redemption...** The Current Interest Bonds maturing on and after September 1, 2023, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2022, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Capital Appreciation Bonds are not subject to redemption.

**Mandatory Sinking Fund Redemption . . .** In addition to being subject to optional redemption, as provided above, the Current Interest Bonds maturing on September 1, \_\_\_\_\_ and September 1, \_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity by lot or other customary random method in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

\$ _____ Term Bond Maturing September 1, ____ *	
Mandatory Redemption Date	Principal Amount

\$ _____ Term Bond Maturing September 1, ____ *	
Mandatory Redemption Date	Principal Amount

\*Stated Maturity.

The principal amount of the Current Interest Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Current Interest Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Current Interest Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Current Interest Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

**Notice of Redemption . . .** At least 30 calendar days prior to the date fixed for any redemption of the Current Interest Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by the United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Current Interest Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. The Current Interest Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Current Interest Bond to be partially redeemed must be surrendered in exchange for one or more new Current Interest Bonds of the same maturity for the unredeemed portion of the principal of the Current Interest Bonds so surrendered. In the event of redemption of less than all of the Current Interest Bonds, the particular Current Interest Bonds to be redeemed shall be selected by the District, if less than all of the Current Interest Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Current Interest Bonds of such maturity to be redeemed by lot or other customary random method.

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

#### **DTC Redemption Provision**

The Paying Agent and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent. Neither the District nor the Paying Agent will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

#### **Termination of Book-Entry-Only System**

The District is initially utilizing the book-entry-only system of DTC ("Book-Entry-Only System"). See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

*Payment . . .* Principal of the Current Interest Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Current Interest Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Current Interest Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or 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 banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

*Registration . . .* If the book-entry-only system is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

*Limitation on Transfer of Bonds . . .* Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Current Interest Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) (whether or not a business day) calendar day of the month preceding each interest payment date

(the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### **Replacement Bonds**

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

### **Authority for Issuance**

At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in principal amount of bonds for water, wastewater, and drainage facilities. The District has issued nine series of new money bonds and has \$35,213,000 remaining in authorized but unissued unlimited tax and revenue new money bonds. In addition, District voters authorized the issuance of \$97,670,000 in contract revenue bonds, none of which have been issued and none of which are expected to be issued in the future.

The Bonds constitute the fifth installment of refunding bonds issued by the District. The Bonds are issued pursuant to the terms and provisions of the Bond Order, Chapter 1207 of the Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

### **Source of and Security for Payment**

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." The Bonds are further payable from and are secured by a pledge of certain Net Revenues (defined below), if any, of the System (defined below) and subject to the conditions described below.

*Tax Pledge...* The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated as its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes and Net Revenues when and if the City of Austin dissolves the District and assumes all debts and liabilities of the District.

*Net Revenues Pledge...* The Bonds are further secured by a first lien on and pledge of certain Net Revenues, if any, of the District's water, wastewater and drainage system which does not include any facilities constructed with proceeds of any Special Project Bonds issued by the District (collectively, the "System"). "Net Revenues" are defined by the Bond Order as net revenues received from the operation of the System after deduction of reasonable costs of administration, efficient operation and adequate maintenance, provided however, the term "Net Revenues" shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District pursuant to a contract authorized by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project. Any Net Revenues remaining after payment of debt service on the Bonds is available to the District for any lawful purpose. The Net Revenues are entirely dependent upon sales of water and sewer services to residents and users in the District. **It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contributions to the District's debt service requirements.**

*Dissolution...* Under Texas law, the District may be annexed and dissolved by the City of Austin (the "City") without the consent of the District or its residents. When and if the District is abolished, the City must assume the assets, functions, and obligations of the District (including the Bonds) and the pledge of taxes and Net Revenues, if any, will terminate. No representation is made concerning the likelihood of dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur. See "THE DISTRICT – City of Austin Consent Agreement."

#### **Payment Record**

The District has never defaulted on the timely payment of the principal of or interest on its bonds. The District has utilized bond proceeds to capitalize interest from one to two years in connection with the new money Outstanding Bonds. See "FINANCIAL STATEMENT – Outstanding Bonds."

#### **Flow of Funds**

The Bond Order creates, or affirms creation, establishment and maintenance by the District of a Debt Service Fund and Escrow Fund for the Bonds.

The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Underwriter, the amount received from proceeds of the Bonds representing accrued interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The Refunded Bonds and the interest due thereon will be paid on the first optional redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow fund. See "PLAN OF FINANCING – Refunded Bonds."

#### **Defeasance of Outstanding Bonds**

*General . . .* The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and Net Revenues and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order. Thereafter the District will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

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

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable 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 Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) non-callable 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 Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

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

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

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

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

#### **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by BOKF, N.A., dba Bank of Texas, the Paying Agent. The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent will be sent by the District or the successor paying agent to each Registered Owner by first-class mail, postage prepaid.

#### **Record Date**

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

## Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ and the City of Austin, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of \$69,443,000 of unlimited tax and revenue bonds for the purpose of providing water, wastewater and storm drainage facilities and to reimburse developers for certain construction costs in connection with such facilities, of which \$35,213,000 of unlimited tax and revenue new money bonds remain authorized but unissued. Additionally, the District's voters have authorized \$97,670,000 in contract revenue bonds, all of which remain authorized but unissued and which are currently not expected to be issued. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District if so authorized by the voters in the District and approved by the District, the TCEQ and the City of Austin. The District anticipates issuing additional bonds from existing authorization to repay eligible reimbursements to developers in the District. As of the date hereof, the District's Engineer estimates that approximately \$2,019,460 of actual reimbursable construction costs have been incurred and will be payable to the developers pursuant to various reimbursement agreements, as hereinafter described.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds for such purpose. Before the District could issue ad valorem tax bonds for fire-fighting activities, the following actions would be required: (i) approval of the fire plan and issuance of bonds by the TCEQ; (ii) authorization of a detailed fire plan and bonds for such purposes by the qualified voters in the District; (iii) amendments to the existing City of Austin ordinance specifying the purposes for which the District may issue bonds; and (iv) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election for approval of a fire plan or related bonds at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. Currently, fire protection and emergency services are provided by the Travis County Emergency Services District No. 2. The District does not have any current intention to engage in fire-fighting activities.

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future; however, the issuance of bonds for parks and recreational facilities would require City of Austin approval due to limitations contained in the Consent Agreement. See "THE DISTRICT - City of Austin Consent Agreement."

### *Contract Revenue Bonds*

On January 6, 1986, the District and the City of Austin, Texas (the "City") entered into a Utility Construction Contract (the "Contract") governing the issuance of the \$97,670,000 contract revenue bonds authorized by the voters of the District on December 21, 1985 (the "Contract Revenue Bonds"). Any Contract Revenue Bonds issued would be special obligations of the District secured by a first lien on and pledge of Contract Payments (as hereinafter defined) to be made by the City to the trustee for the Contract Revenue Bonds pursuant to the Contract, as amended, authorized under Section 552.014 of the Texas Local Government Code, as amended, formerly Article 1109j, Vernon's Annotated Texas Civil Statutes, as amended. The Contract Payments would constitute a special revenue obligation of the City payable from the net revenues of the City's waterworks and sewer system, subject to a prior lien on and pledge of the City's Prior Lien Revenue Bonds and on a parity with the City's Subordinate Lien Revenue Bonds.

Under the terms of the Contract, the District agreed to issue bonds to finance the acquisition and construction of additions, extensions and improvements to the sanitary sewer system of the City, and the City agreed to make payments sufficient to meet debt service requirements (the "Contract Payments"). Upon completion of construction, the City would own and operate the facilities, but would reserve adequate capacity to serve the District. The District agreed to reimburse the City for the District's pro rata share of the construction costs (approximately 16.13%). The District's payments to the City would be payable from an ad valorem contract tax levied upon all taxable property within the District and additionally secured by a subordinate lien on the Net Revenues of the District's System. The Contract is in effect until the Contract Bonds are paid, not to exceed 40 years.

Subsequent to execution of the Contract, a number of the water and wastewater projects contemplated by the Contract were funded through the City of Austin's capital improvement fund. As a result, on August 14, 1986, the City and the District entered into a First Amendment to the Contract which, among other things, provides that the provisions of the Contract requiring the District to issue Contract Revenue Bonds to pay for certain water and wastewater projects will take effect only if the City elects to require the District to finance a portion of such project costs through the issuance of Contract Revenue Bonds. As of the date hereof, the City has not made an election to require the District to issue the Contract Revenue Bonds and it is currently not anticipated that any Contract Revenue Bonds will be issued.

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Section 49.186, Texas Water Code, bonds, notes or other obligations issued by a district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186, Texas Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

### **Specific Tax Covenants**

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

### **Additional Covenants**

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

### **Remedies in Event of Default**

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, 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 the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general

obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

#### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will or will not consolidate its water and wastewater system with any other district.

#### **Annexation**

The District lies entirely within the extraterritorial jurisdiction of the City of Austin, Texas ("Austin" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control over or knowledge of the annexation plans of the City of Austin. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur. See "THE DISTRICT – City of Austin Consent Agreement."

#### **Alteration of Boundaries**

Under Texas law, the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) under certain circumstances, exclude land which is non-agricultural or cannot be irrigated if land which can be irrigated of at least equal value and acreage is annexed. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

#### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

#### **Amendments to the Bond Order**

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



## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

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

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

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

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

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

Redemption proceeds, interest and principal payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Travis County, Texas; the City of Austin, Texas or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District, and by a pledge of and lien on certain Net Revenues, if any, of the System. It is not expected any Net Revenues will be available to contribute to the payment of the Bonds. See "THE BONDS - Source of and Security for Payment." The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market

for the property. See "Registered Owners' Remedies" below.

### **Factors Affecting Taxable Values and Tax Payments**

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single family mortgage lending and real estate development lending. Additionally, lenders have been selective in recent years in making real estate development loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Drought and Water Rates:* Central Texas, like other areas of the State, is experiencing drought conditions. The District has adopted a water conservation plan and currently has implemented stage 2 water restrictions for residents of the District. The City of Austin provides water to the District in amounts sufficient to service the residents of the District, however, as drought conditions continue water usage, revenues and rates could be impacted. Any increase in the wholesale rates paid by the District impact District expenses and future water revenues received by the District. In late 2012, the City increased water and wastewater rates to wholesale customers, including the District. In April 2013, the District, together with several other wholesale water customers, filed an appeal of the increase. The appeal is on-going; however, in May 2014, the Administrative Law Judge presiding over the appeal issued an order rolling the District's wholesale rates back to the fiscal year 2012 rates during the pendency of the appeal. Although the City has indicated that it intends to again increase wholesale water rates in October 2014, any increase will not be implemented until the Judge rules on the pending appeal.

*Dependence Upon Developer, Lot Owners and Builders:* A principal taxpayer in the District is the Developer. The growth of the tax base is dependent upon additional construction of homes and commercial development within the District. The Developer is under no obligation to continue to market for improvement of developed tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by any of the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to whom such parties may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT – Historical and Current Status of Development" and "THE DEVELOPER."

*Developer under No Obligation to the District:* There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes and commercial development in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developers and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA - Principal Taxpayers."

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2014 Certified Assessed Valuation of the District is \$514,452,256 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Projected Maximum Requirement will be \$2,245,019 (2020) and the Projected Average Requirement will be \$2,159,381 (2015 through 2025, inclusive). Assuming no increase or decrease from the 2014 Certified Assessed Valuation, the issuance of no additional debt and no other funds available for the payment of debt service, tax rates of \$0.46 and \$0.45 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Projected Maximum Requirement and the Projected Average Requirement, respectively. The District's 2015 Preliminary Assessed Valuation is \$\_\_\_\_\_. Based upon such value, tax rates of \$\_\_\_\_ and \$\_\_\_\_ per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Projected Maximum Requirement and Projected Average Requirement, respectively. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

### **Bond Insurance Risks**

The District has qualified for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds, and intends to use a portion of the proceeds of the Bonds to purchase the bond insurance. The risk factors relating to the purchase of bond insurance are listed below.

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

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

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

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigations into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the

investment. See "MUNICIPAL BOND RATINGS AND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

### **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure of a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole

or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owners' claims against a district.

### **The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District**

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

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

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law and that, although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **Environmental Regulation**

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution;
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues.* The Federal Clean Air Act (“CAA”) requires the United States Environmental Protection Agency (the “EPA”) to adopt and periodically revise national ambient air quality standards (“NAAQS”) for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and “attain” compliance with the appropriate standard. This so called State Implementation Plan (“SIP”) entails enforceable control measures and time frames.

In 1997, the EPA adopted an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin Area”), was not designated “nonattainment” for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

Should the Austin Area fail to achieve attainment under an EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial and residential development in the Austin Area.

*Water Supply & Discharge Issues.* Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operation of the District’s sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation’s navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System (“NPDES”) program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System (“TPDES”) program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of

water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

### **Forward-Looking Statements**

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

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

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

### **Future Debt**

The District has reserved the right in the Bond Order to issue the remaining \$35,213,000 authorized but unissued unlimited tax and revenue bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$35,213,000 unlimited tax and revenue bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas, the TCEQ and the City of Austin. In the opinion of the District's engineer, the remaining authorization should be sufficient to complete the development in the District. As of the date hereof, the District's engineer estimates that approximately \$2,019,460 of actual reimbursable construction costs have been incurred and will be payable to the developers pursuant to various reimbursement agreements. See "THE SYSTEM."

The District does not currently anticipate the issuance of the full principal amount of authorized but unissued bonds (\$35,213,000), but the District retains the legal right to issue the full amount of authorized but unissued bonds subject to the approval of the TCEQ and the City of Austin. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any



corresponding increases in taxable value in the District. See "THE BONDS -Issuance of Additional Debt" and "FINANCIAL STATEMENT - Unlimited Tax and Revenue Bonds Authorized But Unissued."

#### **Tax Exempt Property – Strategic Housing Finance Corporation of Travis County**

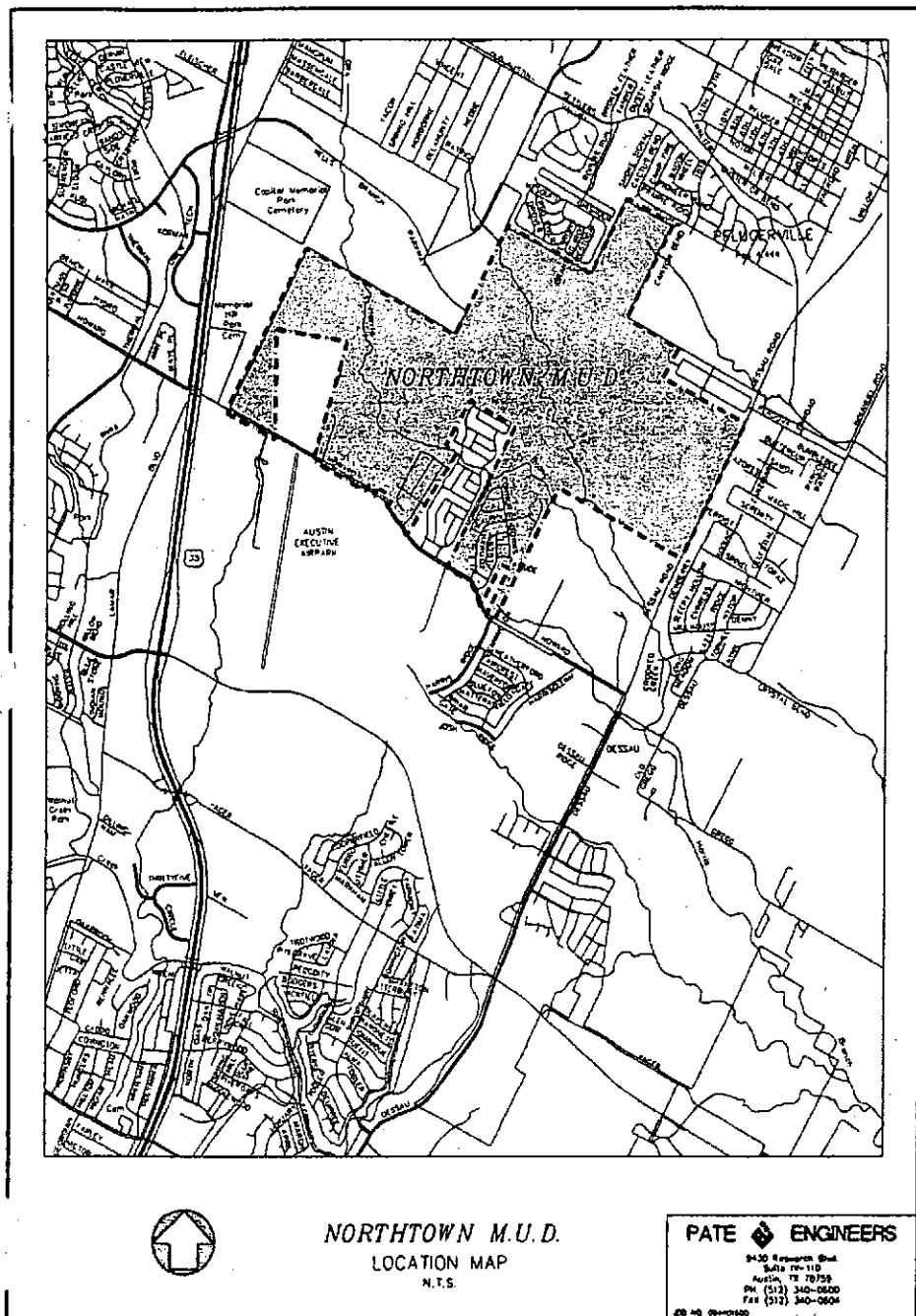
There is the potential for property within the District to be owned by tax-exempt entities such as the "Strategic Housing Finance Corporation of Travis County" ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the "Texas Housing Finance Corporations Act"). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of \$35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty-nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax-exempt, therefore during the thirty-nine (39) month term of the lease within which SHFC owns the home, that property is removed from the tax rolls. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax-exempt indefinitely. Presently, there are no homes within the District that are owned by SHFC and reflected on the 2014 tax roll. Because the SHFC program is between SHFC and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which it offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

#### **Future and Proposed Legislation**

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

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# LOCATION MAP



NORTHTOWN M.U.D.  
LOCATION MAP  
N.T.S.

PATE ENGINEERS

9-30 Research Blvd.  
Suite 100-110  
Austin, TX 78759  
PH (512) 340-0500  
FAX (512) 340-0504

200-00-0000

## **THE DISTRICT**

### **General**

The District was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), adopted on August 14, 1985 and a confirmation election held within the District on December 21, 1985, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ and is located entirely within the extraterritorial jurisdiction of the City of Austin. See "THE BONDS - Source of and Security for Payment – Dissolution."

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District does not currently have voter authorization to issue bonds for such purpose and although it could consider calling an election to authorize bonds for such purpose in the future; the issuance of bonds for parks and recreational facilities would require City of Austin approval due to limitations contained in the Consent Agreement, as described below. See "THE BONDS – Issuance of Additional Debt".

The TCEQ exercises continuing supervisory jurisdiction over the District. Under the Consent Agreement, as defined below, which was required in order to obtain the City's consent to creation of the District, the District must agree to observe certain requirements of the City of Austin which, among other requirements, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities; require approval by the City of Austin of District construction plans; and permit connections only to single family lots and commercial or multi-family commercial platted reserves which have been approved by the Planning Commission of the City of Austin. Construction and operation of the District's System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

### **City of Austin Consent Agreement**

In 1984, the City Council of the City of Austin ("Austin" or "the City") passed Ordinance No. 84-0503, which granted the City's consent to creation of the District and approved the "Agreement Concerning Creation and Operation of Northtown Municipal Utility District" (the "Consent Agreement"). Following creation of the District by the TCEQ, the District joined in the Consent Agreement on January 6, 1986. The Consent Agreement sets forth terms and conditions regarding, among other things, the issuance of bonds by the District, the water supply and wastewater treatment services to be provided to the District by the City, limitations on service by the District, and land use and development within the District. The Consent Agreement has been amended by agreements between the City and the District dated April 16, 1990, December 1, 1993, November 30, 1994, August 17, 1997, February 23, 2000, and July 2, 2003. The following is a summary of certain of the terms and conditions of the Consent Agreement, as amended, but it is not a complete description and is qualified by reference to the Consent Agreement and its amendments, copies of which are available from the District.

In the Consent Agreement, the City has contracted to provide water required for commercial and domestic purposes by users within the District and to receive, treat, and dispose of all sewage collected by the District and delivered to the City's sewer trunk lines. The District is a wholesale water and wastewater customer of the City for all areas of the District except a small area of the District that is provided wastewater service directly by the City under the terms of the "Interlocal Agreement Regarding the Provision of Retail Water and Wastewater Service to the Lake at Tech Ridge Development" dated February 13, 2006 (the "Tech Ridge Interlocal Agreement"). See "THE SYSTEM".

Under the Consent Agreement, the District receives wholesale services from the City on similar terms to those applicable to service to other municipal utility districts served by Austin. The Consent Agreement provides that Austin will not be liable for a failure to provide water and wastewater service if the failure results from conditions outside of Austin's control. In addition, Austin has the right to limit service to the District on the same basis and to the same extent that Austin limits service to other customers. In late 2012, the City increased water and wastewater rates to wholesale customers, including the District. In April 2013, the District, together with several other wholesale water customers, filed an appeal of the increase. The appeal is on-going; however, in May 2014, the Administrative Law Judge presiding over the appeal issued an order rolling the District's wholesale rates back to the fiscal year 2012 rates during the pendency of the appeal. Although the City has indicated

that it intends to again increase wholesale water rates in October 2014, any increase will not be implemented until the Judge rules on the pending appeal.

The Consent Agreement provides that each developer will serve as project manager for the construction of the portion of facilities constituting the District's utility system that is being funded by the developer. Plans for all District facilities are subject to review and approval by the TCEQ and Austin prior to construction.

The District may not serve customers outside of its boundaries and may not annex additional land into the District without the prior approval of Austin. Under the Tech Ridge Interlocal Agreement, the City and the District agreed that, with respect to a development which is located partially within the District and partially within the City's service area outside of the District, the City would serve an area located within the District and the District would serve an area located outside of the District and in Austin's service area of approximately the equivalent size. This agreement was entered into in order that lots within this area would be served by a single service provider.

The Consent Agreement provides that the City may annex the District after eight years from the date of confirmation of creation of the District, which occurred December 21, 1985, if 90% of the District's facilities that were to be constructed through the issuance of bonds had not been completed by that date (December 21, 1993). Because 90% of the District's facilities were not completed by December 21, 1993, the City could technically proceed with annexation of the District at any time. Generally, under Texas law, the City may not annex any land within the District unless it annexes the entire District, assumes all of the District's obligations, including the Bonds, and dissolves the District. See "THE DISTRICT-Strategic Partnership Negotiations."

The District and the City of Austin have agreed to certain land use controls, including land use and density limitations, for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with State law and City of Austin ordinances.

#### **Strategic Partnership Negotiations**

Section 43.0751 of the Texas Local Government Code permits cities and districts to negotiate and enter into written agreements providing terms and conditions under which the land within a district will be annexed, services will be provided and funded, and the district will continue either in its then-existing form or as a limited district that provides only specified functions. At this time, Austin has not initiated any discussions and no negotiations on the terms of any possible strategic partnership agreement or on the creation of a limited district have occurred.

#### **Management of the District**

##### ***Board of Directors***

The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections currently held within the District on the first Tuesday after the first Monday in November in each even-numbered year. All of the directors reside or own property in the District.

<b>Name</b>	<b>Position</b>	<b>Length of Service</b>	<b>Term Expires November</b>
Robin Campbell	President	15 ½ years	2016
Brenda Richter	Vice President	15 years	2018
Felix T. Amaro, Jr.	Assistant Secretary	3 ½ years	2016
Kathy Haught	Assistant Secretary	2 years	2018
Christopher Capers	Director	7 months	2018

##### ***Consultants***

##### **Tax Assessor/Collector**

Land and improvements in the District are appraised for tax purposes by the Travis Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector, Mr. Bruce Elfant, currently serves the District in this capacity under contract.

**Operator**

The District contracts with Crossroads Utility Services, Inc. ("Crossroads") to serve as operator for the District. Crossroads serves in a similar capacity for 28 other special districts in the Austin metropolitan area.

**Engineer**

The District's consulting engineer is 360 Professional Services, Inc. (the "Engineer").

**Bookkeeper**

The District's bookkeeper is Bott & Douthitt, PLLC ("Bott & Douthitt"). Bott & Douthitt serves as bookkeeper to 53 other special districts.

**Auditor**

McCall Gibson Swedlund Barfoot P.L.L.C. prepared the District's financial statements for the fiscal year ended September 30, 2014.

**Financial Advisor**

Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

**Bond Counsel**

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

**General Counsel**

The District has engaged Armbrust & Brown, PLLC ("A&B") as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

**Location**

The District is located in Travis County, approximately 15 miles northeast of Austin's central business district. The District lies wholly within the extraterritorial jurisdiction of the City of Austin and is adjacent to the city limits of the City of Pflugerville. The District is comprised of approximately 1,224.34 acres of which approximately 997.33 acres are developable under current development regulations. Access to the District is provided by Interstate Highway 35 and Farm to Market Road 1825.

**Historical and Current Status of Development**

Development within the District commenced in 1986 when Milburn Homes ("Milburn"), a predecessor to D.R. Horton, Inc. ("Horton"), developed approximately 58.57 acres of land as Northtown, Sections 1, 2, 4, 5A, 7 and 9 containing 359 single family lots.

On December 13, 1993, Dessau Road, Limited Partnership ("DRLP") purchased approximately 71 undeveloped acres and developed approximately 33.62 acres as Northtown West, Section 1 containing 167 single family lots.

In 1994, SVWW Harris Ridge Limited Partnership ("SVWW") purchased approximately 95 undeveloped acres within the District, and SVWW developed approximately 44.69 acres as Wildflower, Sections 1, 2, 3, 4 and 5, containing 225 single family lots.

On June 30, 1999, Pulte Homes of Texas, L.P. ("Pulte") purchased approximately 69.59 acres within the District, all of which has been developed as Settlers Meadow, Sections 1, 2, 3 and 4, containing 295 single family lots.

Continental Homes of Texas, L.P., which is owned by Horton, developed approximately 234.48 acres as Gaston Sheldon (959 single family lots), approximately 48.63 acres as Brookfield Estates I (182 single family lots), approximately 62.25 acres as Brookfield Estates II (319 single family lots), approximately 19.77 acres as Parkside at Northtown (144 multi-family units) and approximately 22.29 acres as Parkway at Northtown (11 single family lots and 86 multi-family units).

In November, 2002, KB Home Lone Star L.P. ("KB") purchased and developed approximately 8.19 acres within the District as Northtown Park, Section 8, containing 57 lots. KB subsequently purchased and developed approximately 79.99 acres within the District as The Lakes at Northtown, containing 306 lots.

On September 6, 2005, NWC Howard & I-35 Ltd. ("NWC") purchased 139 acres of land including approximate 129 acres located within the District. Subsequently, on March 22, 2007, NWC sold 90.54 acres to Hanna/Magee LP #1. NWC sold its remaining 48.44 acres to Techridge Spectrum BC L.P. ("Techridge"), and no longer owns any property within the District. Techridge subsequently sold 16.35 acres to The Morgan Group ("Morgan"), which developed the 16.35 acres as The Villas at Techridge, containing 350 multi-family units, and Techridge retained ownership of the remaining 32.09 acres, of which approximately 11.60 acres were located within the District. In 2013, Techridge developed the 11.60 acres as The Lakes at Techridge, containing 336 multi-family units.

On June 30, 2000 and September 27, 2000, respectively, Village purchased three tracts of land within the District totaling approximately 327 acres, including approximately 263 acres from the Pfluger Family Limited Partnership ("PFLP"), the remaining approximate 27 undeveloped acres owned by SVWW and approximately 37 acres from DRLP. Of the total 327 acres, approximately 272 acres are currently developable. Village designed a master plan for the development of its 272 developable acres, including single family detached and single family attached residential units, multifamily residential units, office, retail/commercial and public use, including a greenbelt area, and informed the District that it plans to subdivide its land, provide infrastructure and sell tracts to other developers and end users. According to Village, the master plan was approved by the City Council of the City of Austin on April 10, 2003, and by the District on July 2, 2003. Certain revisions to the master plan were approved by the District on October 28, 2008, and by the City of Austin on November 21, 2008. Further revisions to the master plan were approved by the District on May 25, 2010 and by the City of Austin on September 15, 2010. Still another revision to the master plan to accommodate the school site mentioned below was approved by the District on August 24, 2010 and by the City of Austin on September 20, 2010. Pursuant to an agreement with Travis County, Village has caused the construction of the extensions of two arterial roadways, Wells Branch Parkway and Heatherwilde Boulevard, through the District, together with certain associated utility mains and stormwater detention facilities. These improvements, which are now complete, were necessary for development of the Village tracts. Village and the District have executed a reimbursement agreement for certain infrastructure and development costs incurred by Village in connection with the utility and drainage components of the roadway extensions. In 2009, the City of Austin and Travis County approved (i) a preliminary subdivision plan of the entire Village property, and (ii) the final subdivision plat of Village at Northtown, Section One, consisting of nine (9) retail lots and one (1) multifamily residential lot collectively covering 35.03 acres. In October 2010, an approximate 12.53 acre parcel was sold to the Pflugerville Independent School District ("Pflugerville ISD") for a new elementary school site. A revision to the District's land use plan to designate this parcel for a school was approved by the District and the City of Austin and the elementary school opened in August 2012. Revisions to the approved preliminary subdivision plan pertaining to approximately 18.75 acres of land for detached single family residential and attached single family residential development across Harris Ridge Blvd. from the new school site were approved in December 2011. Final platting of this area is complete, but no single family home construction on the Village property has yet commenced. The Developer's Harris Ridge Blvd. improvements were completed in 2011 but have not yet been accepted by the District, County, or City. Construction deficiencies were noted and remain unresolved. The Developer has entered into litigation with the contractor of the Harris Ridge Blvd. improvements and the lawsuit is expected to be resolved in 2014. As a result, the District has limited the Developer's water and wastewater connections to only the elementary school. The remaining portions of the Developer's tract that are not part of this litigation have the ability to be served with the construction of the appropriate improvements.

As of April 1, 2015, the District contained a total of 2,878 completed single family homes, no homes under construction and 78 vacant but developed single family lots. Additionally, the District contains the following multi-family development: Parkway at Northtown, which contains 86 multi-family units; Parkside at Northtown, which contains 144 multi-family units; Villas at Techridge, which contains 350 multi-family units; and The Lakes at Techridge, which contains 336 multi-family units.

The chart on the following page reflects the status of development within the District as of April 1, 2015:

*(Chart appears on following page)*

**A. Developed with Utility Facilities**

Sections	Acreage	Platted Lots	Single Family		
			Completed Homes	Homes Under Construction	Vacant Lots
<u>Northtown / Northtown Park</u>					
1, 2, 4, 5A, 7, 8 & 9	66.76	416	416	-	-
<u>Northtown West</u>					
1	33.62	167	165	-	2
<u>Wildflower</u>					
1 - 5	44.69	225	225	-	-
<u>Settlers Meadow</u>					
1 - 4	69.59	295	295	-	-
<u>Gaston Sheldon</u>					
1 - 5	234.48	959	959	-	-
<u>Brookfield Estates I</u>					
1 - 3	48.63	182	182	-	-
<u>Brookfield Estates II</u>					
1-6	62.25	319	319	-	-
<u>The Lakes at Northtown</u>					
1	22.21	69	69	-	-
2	18.32	62	62	-	-
3	9.38	50	50	-	-
4	12.93	64	64	-	-
5	17.15	61	61	-	-
<i>The Lakes at Northtown Subtotal</i>	79.99	306	306	-	-
<u>Parkway at Northtown</u>	22.29	(a)	11	-	-
<u>Village at Northtown, Section 2</u>					
Phase 1	12.32	(a)	35	-	35
Phase 2	6.44	41	-	-	41
<i>Village at Northtown Section 2 Subtotal</i>	18.75	76	-	-	76
<b>Total Single Family</b>	<b>681.05</b>	<b>2,956</b>	<b>2,878</b>	<b>-</b>	<b>78</b>

Sections	Acreage	Multi-Family		
		Completed Units	Units Under Construction	Units to be Constructed
<u>Parkway at Northtown, Duplex Units</u>	- (a)	86	-	-
<u>Parkside at Northtown, Duplex Units</u>	19.77	144	-	-
<u>Villas at Techridge, Apartments</u>	16.35	350	-	-
<u>The Lakes at Techridge, Apartments</u>	11.60	336	-	-
<u>Village at Northtown, Section 1 - Apartments</u>	19.00	-	-	418
<u>Village at Northtown, Section 2 - Duplex Units</u>	- (a)	-	-	92
<b>Total Multi-Family</b>	<b>66.72</b>	<b>916</b>	<b>-</b>	<b>510</b>

**B. Commercial/Retail**

Village at Northtown, Section 1

16.03

\*approximately 280,000 - 350,000 sq. ft.

**C. Elementary School**

12.53

**Total Developed Acreage**

**776.33**

**D. Remaining Undeveloped but Developable Acreage**

Village at Northtown

205.01

Other

16.00

*Subtotal*

**221.00**

**Total Developable Acreage**

**997.33**

**E. Undevelopable Acreage**

**227.01**

**Total Acreage**

**1,224.34**

(a) Includes acreage for single-family and multi-family development.

## **Parks**

The District currently owns three parks: (i) the 60 acre Stoney Creek Park, which was expanded in 2004 from its original 10.34 acres and is currently improved with two playscapes, picnic tables, a granite trail, irrigated landscaping, two soccer fields, a sand volleyball court and pavilion; (ii) the 6.768 acre Meadow Point Park, which is improved with a playscape; and (iii) the 20.34 acre Wildflower Park, which is also improved with a playscape. The District's land plan projects that additional land will be donated to the District, which is primarily creek frontage located within the 100-year flood plain, which will be used as part of the District's integrated trail system.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning and scheduling building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of its land within a district. In addition, the developer is ordinarily the major taxpayer within a district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

### **Description of the Developer**

Village is a Texas limited partnership whose general partner is Village @ Northtown General Partner, Inc., with Clifton E. Lind serving as President. Village purchased approximately 327 acres within the District through three separate acquisitions. Approximately 263 acres was acquired from PFLP for cash and a seven-year seller note, and approximately 27 acres was purchased from SVWW with seller financing. According to a representative of Village, both loans have been refinanced by loans from City Bank - Lubbock, and other entities affiliated with the principal owners. The principal amount of the loan from City Bank - Lubbock is \$14,628,155.53. The original loan matured on May 8, 2010, but has been renewed and extended several times and currently has a maturity date of February 20, 2015. Village is in compliance with the terms of the loan. The third tract, consisting of approximately 37 acres was purchased from DRLP by Jeffercindershan, Ltd., a Texas limited partnership whose general partner is Jeffercindershan General Partner, Inc., with Clifton E. Lind serving as President. The acquisition financing for the third tract was provided by cash and a one-year seller note which has been paid in full.

## **THE SYSTEM**

### **Regulation**

The District receives its water supply and wastewater treatment from the City of Austin ("the City" or "Austin") pursuant to the terms of the Consent Agreement (See "THE DISTRICT - City of Austin Consent Agreement").

### **Water Supply and Distribution**

The District receives its potable water supply from Austin which, in turn, obtains water from three locations along the Colorado River. The District lies in Austin's North Pressure Zone, which gets water from two of the three water treatment plants serving the northern areas of Austin's System. The two water treatment plants serving the District have a combined firm yield of 110 million gallons-per-day ("mgd"), which is capable of serving the District at ultimate development.

### **Wastewater Collection and Treatment**

Wastewater treatment service for the District is primarily provided by the Austin's Walnut Creek Interceptor and Wastewater Treatment Plant (the "Treatment Plant"). The Treatment Plant has a permitted capacity of 75 mgd, which is capable of serving the District at ultimate development. Current flows through the Treatment Plant are approximately 49 mgd. The District has



constructed a system of force mains, gravity mains, and lift stations to transfer wastewater to the Walnut Creek Interceptor and Treatment Plant. The City has agreed to accept a pump-over of 1.0 mgd to the Walnut Creek Plant from the District. This system consists of 10, 12 and 14-inch force mains, 18-inch gravity main, and 1,200-gpm and 1,795 gpm lift stations located within the District. The District has recently experienced operational issues with its low flow lift station and is currently upgrading the lift station to improve operations and extend its life at a cost of approximately \$1,000,000 to \$1,500,000. The District also experienced several breaks in its force main in the years 2010, 2011, and 2012 and incurred a total repair cost of approximately \$400,000 to date. The District is in the process of evaluating options to replace the force main.

### 100-Year Flood Plain

According to the District's Engineer, approximately 125 acres of undeveloped land within the District are located within the 100-year flood plain, and are included in the land use table as undevelopable.

### Water and Wastewater Operations – Table 1

#### Rate and Fee Schedule

The District provides water and wastewater service to utility customers within the District and charges rates as set by the Board of Directors from time to time. In addition, the District collects certain tap fees from builders. The rates for water and wastewater service to utility customers of the District which are effective as of September 24, 2013:

#### Water & Wastewater Charges for Single Family Residential Customers (monthly billings)

##### In District Rates:

Basic Service rate (which includes solid waste disposal and recycling) .....	\$ 28.98 per residence
Monthly In-District Sewer Rate .....	\$ 6.89 per 1,000 gallons
Monthly In-District Water Rates	
0-7,000 gallons.....	\$5.08 per 1,000 gallons
7,001 –12,000.....	5.91
12,001 – 17,000.....	6.69
over 17,000.....	7.59

#### Water & Wastewater Charges for Commercial Customers & Multi-Family Customers (monthly billings)

##### In District Rates <sup>(a)</sup>:

Basic Service Rate (which does not include solid waste disposal or recycling) ..... \$ 19.90 per meter

##### Water Commodity Charge

per 1,000 gallons per month, where "Base" means the customer's average water usage during the winter averaging period.

<u>Gallons Used</u>	<u>Commodity Charge</u>
0 – Base	\$ 5.08
over Base to Base x 1.50	5.91
over Base x 1.50 to Base x 1.75	6.69
over Base x 1.75	7.59

Sewer Commodity Charge..... \$ 6.89 per 1,000 gallons

(a) For multi-unit residential complexes which receive solid waste disposal or recycling services: \$19.90 per meter, plus \$14.51 per dwelling unit.

#### Monthly Irrigation Meter Rates

Basic Service Rate..... \$ 19.90 per meter  
per 1,000 gallons per month, where "Base" means 7,000 gallons per LUE, based on irrigation meter size.

<u>Gallons Used</u>	<u>Commodity Charge</u>
0 – Base	\$ 5.08
over Base to Base x 1.50	5.91
over Base x 1.50 to Base x 1.75	6.69
over Base x 1.75	7.59

Rate per 1,000 gallons for usage during winter-averaging period.....\$ 7.59

Monthly In-District Fire Hydrant Rates per Fire Hydrant Meter

Service Availability Charge per Fire Hydrant Meter ..... \$100.00 (minimum)

Commodity Charge:

(a) Standard Rate ..... \$ 5.08 per 1,000 gallons

(b) Rate during winter averaging period ..... 7.59 per 1,000 gallons

Monthly Out-of-District Sewer Rate..... \$ 8.90 per 1,000 gallons

*(The remainder of this page intentionally left blank)*

## Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared upon information obtained from the District's annual financial reports. Reference is made to such reports for further and more complete information.

	Fiscal Year Ended					
	12/31/2014 <sup>(a)</sup>	9/30/2014 <sup>(b)</sup>	9/30/2013 <sup>(b)</sup>	9/30/2012 <sup>(b)</sup>	9/30/2011 <sup>(b)</sup>	9/30/2010 <sup>(b)</sup>
<b>REVENUES</b>						
Water and Wastewater Service	\$ 965,790	\$3,865,382	\$3,919,634	\$3,384,026	\$3,250,171	\$2,983,681
System Connection Fees	-	21,600	79,200	73,900	50,575	71,640
Property Tax Revenues	1,164,186	1,521,641	959,699	1,239,755	1,186,441	1,324,242
Park Fees	-	5,400	19,800	20,100	113,100	66,300
Interest Income	6,291	6,327	8,368	48,282	21,898	30,463
Miscellaneous	834	25,300	34,131	64,131	68,513	56,143
<b>TOTAL REVENUES</b>	<b>\$2,137,102</b>	<b>\$5,445,650</b>	<b>\$5,020,832</b>	<b>\$4,830,194</b>	<b>\$4,690,698</b>	<b>\$4,532,469</b>
<b>EXPENDITURES</b>						
Water, Wastewater & Garbage	\$ 722,823	\$3,001,990	\$2,979,253	\$2,758,619	\$2,630,998	\$2,347,651
Repairs and Maintenance	26,090	221,698	288,009	236,725	275,896	443,420
Utilities	7,549	32,386	32,959	17,140	16,527	14,428
Park Maintenance	98,026	503,338	506,984	527,065	664,390	591,207
Inspection Fees/Meter Purchases	-	2,585	6,457	4,792	3,319	9,469
General Manager Services	75,749	301,266	273,838	257,983	243,718	244,466
Legal Fees	27,765	134,258	132,624	165,866	173,351	189,291
Engineering Fees	11,593	57,562	142,577	98,597	350,490	224,738
Audit Fees	-	14,900	14,600	14,500	13,995	16,000
Restrictive Covenants	-	-	-	-	28,085	62,250
Security services	22,303	104,712	92,571	83,896	70,140	46,890
Tax Assessor/Collector Fees	3,861	9,311	5,884	7,573	7,352	7,806
Director Fees	8,752	16,470	18,247	16,793	30,781	23,091
Insurance	-	15,521	17,276	12,227	16,300	5,683
Accounting Fees	16,500	66,750	66,750	66,750	66,750	66,750
Financial Advisor Fees	853	732	535	867	-	872
Chemicals	38,372	120,800	-	-	-	-
Office Expenses	67,511	273,610	275,846	252,653	163,212	-
Other Consulting Fees	10,784	62,867	-	-	854	-
Other	26,244	99,663	156,891	104,766	80,163	34,627
Capital Outlay	-	1,116,609 <sup>(c)</sup>	152,700	460,677	767,364	785,437
<b>TOTAL EXPENDITURES</b>	<b>\$1,164,775</b>	<b>\$6,157,028</b>	<b>\$5,164,001</b>	<b>\$5,087,489</b>	<b>\$5,603,685</b>	<b>\$5,114,076</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 972,327</b>	<b>\$(711,378)</b>	<b>\$(143,169)</b>	<b>\$(257,295)</b>	<b>\$(912,987)</b>	<b>\$(581,607)</b>
<b>Fund Balance, beginning of yr</b>	<b>\$5,527,389</b>	<b>\$6,238,767</b>	<b>\$6,381,936</b>	<b>\$6,639,231</b>	<b>\$7,552,218</b>	<b>\$8,133,825</b>
<b>Fund Balance, end of yr</b>	<b>\$6,499,716</b>	<b>\$5,527,389</b>	<b>\$6,238,767</b>	<b>\$6,381,936</b>	<b>\$6,639,231</b>	<b>\$7,552,218</b>

(a) Unaudited. As of December 31, 2014. Represents 3 months of the District's current fiscal year.

(b) Audited.

(c) Capital Outlay during fiscal year 2014 included

**PROJECTED DEBT SERVICE REQUIREMENTS – TABLE 3**

**Northtown Municipal Utility District**

**\$7,155,000\***

**Unlimited Tax and Revenue Refunding Bonds, Series 2015**

**Dated Date: July 1, 2015**

**First Interest Payment Due: September 1, 2015**

Year Ending 31-Dec	Current Debt Service Requirement	Less Refunded Debt Service	The Bonds*					Total Debt Service Requirements
			Principal (Due 9/01)	Interest (Due 3/01)	Interest (Due 9/01)	Total	Principal and Interest	
2015	\$ 2,238,758	\$ 159,391	\$ 105,000	\$ -	\$ 43,767	\$ 43,767	\$ 148,767	\$ 2,228,134
2016	2,266,613	318,781	30,000	130,250	130,250	260,500	290,500	2,238,331
2017	2,167,700	543,781	65,000	129,950	319,950	449,900	514,900	2,138,819
2018	2,182,450	310,456	20,000	129,950	129,950	259,900	279,900	2,151,894
2019	2,244,375	1,170,456	885,000	129,650	129,650	259,300	1,144,300	2,218,219
2020	2,273,325	1,186,056	925,000	116,375	116,375	232,750	1,157,750	2,245,019
2021	2,092,206	989,250	755,000	102,500	102,500	205,000	960,000	2,062,956
2022	2,121,144	558,438	355,000	87,400	87,400	174,800	529,800	2,092,506
2023	2,122,494	543,388	355,000	80,300	80,300	160,600	515,600	2,094,706
2024	2,170,650	552,988	380,000	73,200	73,200	146,400	526,400	2,144,063
2025	2,168,463	561,113	400,000	65,600	65,600	131,200	531,200	2,138,550
2026	1,933,438	567,613	425,000	57,600	57,600	115,200	540,200	1,906,025
2027	1,703,719	572,425	445,000	49,100	49,100	98,200	543,200	1,674,494
2028	1,714,569	576,050	470,000	40,200	40,200	80,400	550,400	1,688,919
2029	1,402,200	578,250	490,000	30,800	30,800	61,600	551,600	1,375,550
2030	1,424,950	579,250	510,000	21,000	21,000	42,000	552,000	1,397,700
2031	992,625	588,000	540,000	10,800	10,800	21,600	561,600	966,225
	<u>\$ 33,219,677</u>	<u>\$ 10,355,684</u>	<u>\$ 7,155,000</u>	<u>\$ 1,254,675</u>	<u>\$ 1,488,442</u>	<u>\$ 2,743,117</u>	<u>\$ 9,898,117</u>	<u>\$ 32,762,109</u>

\*Preliminary; subject to change.

**FINANCIAL STATEMENT**  
(Unaudited as of May 1, 2015)

**Assessed Value - Table 4**

2014 Certified Assessed Valuation	\$514,452,256	(a)
2015 Preliminary Assessed Valuation	-	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 24,685,000	(c)
Ratio of Gross Debt to 2014 Certified Assessed Valuation	4.80%	
Ratio of Gross Debt to 2015 Preliminary Assessed Valuation	0.00%	
2014 Tax Rate		
Debt Service	\$ 0.4343	
Maintenance	0.3017	
Total 2014 Tax Rate	\$ 0.7360	(d)
Debt Service Fund Balance (as of January 27, 2015)	\$ 2,326,620	(e)

Area of District: 1,224.34 acres  
Estimated Population as of , 2015:  (f)

- (a) Assessed valuation of the District as of January 1, 2014 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2015, as provided by TCAD, is included solely for purposes of illustration. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds. Preliminary; subject to change.
- (d) The District levied a 2014 tax rate of \$0.7360. See "TAXING PROCEDURES."
- (e) Unaudited as of January 27, 2015. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit. Of the 916 multi-family units, 882 units are occupied as of January 1, 2015.

**Unlimited Tax and Revenue Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
12/21/1985	Water, Sanitary Sewer and Drainage	\$ 69,443,000	\$ 34,230,000	\$ 35,213,000
12/21/1985	Contract Bonds	97,670,000	- (a)	97,670,000

- (a) See "The Bonds - Issuance of Additional Debt".

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Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds <sup>(a)</sup>
<b>A. New Money Bonds</b>				
03/01/94	Water and Sewer	1994	\$ 1,000,000	\$ -
05/01/97	Water and Sewer	1997	995,000	-
02/01/01	Water and Sewer	2001	2,100,000	-
08/01/02	Water and Sewer	2002	3,510,000	-
11/01/03	Water and Sewer	2003	3,770,000	-
04/01/06	Water and Sewer	2006	4,500,000	160,000
10/01/07	Water and Sewer	2007	6,005,000	1,255,000
04/01/09	Water and Sewer	2009	7,560,000	1,050,000
10/01/11	Water and Sewer	2011	4,790,000	4,355,000
<b>Subtotal</b>			<b>\$ 34,230,000</b>	<b>\$ 6,820,000</b>
<b>B. Refunding Bonds</b>				
09/01/04	Refunding	2004	\$ 2,505,000	\$ -
11/01/10	Refunding	2010	5,895,000	3,550,000
09/01/12	Refunding	2012	3,850,000	3,820,000
08/01/14	Refunding	2014	3,340,000	3,340,000
07/01/15	Refunding	2015	7,155,000	7,155,000 <sup>(b)</sup>
<b>Subtotal</b>			<b>\$ 22,745,000</b>	<b>\$ 17,865,000</b>
<b>Total</b>			<b>\$ 56,975,000</b>	<b>\$ 24,685,000</b>

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

(b) The Bonds. Preliminary; subject to change.

Cash and Investment Balances (Unaudited as of January 27, 2015) - Table 7

General Fund	\$ 6,047,774
Debt Service Fund	2,326,620 <sup>(a)</sup>
Park Fund	513,176
Capital Projects Fund	2,200,460 <sup>(b)</sup>

(a) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

(b) The District expects to reimburse construction costs related to low flow lift station repairs and utility facilities serving the Lakes at Northtown Sections 4 and 5 using approximately \$1,812,824 of funds in the Capital Projects Fund during 2015.

#### Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit

Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period, (4) the book value and market value of each separately listed asset

at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

#### **Current Investments - Table 8**

The District, as of January 27, 2015, is invested in money markets, Texpool, L.O.G.I.C., and Certificates of Deposit. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool and L.O.G.I.C. are public funds investment pools. TexPool and L.O.G.I.C. have not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool and L.O.G.I.C. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

<b>Investment Value as of January 27, 2015</b>	
Money Market	\$ 475,105
TexPool	1,980,132
L.O.G.I.C.	8,386,015
Certificates of Deposit	246,779
<b>Total Investments</b>	<b>\$ 11,088,031</b>

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## Estimated Overlapping Debt Statement

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

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 652,173,919	2/1/2015	0.429%	\$ 2,797,646
Travis County ESD No. 2	-	2/1/2015	8.102%	-
Travis County Healthcare District	15,070,000	2/1/2015	0.477%	71,899
Austin Community College District	84,441,598	2/1/2015	0.367%	309,531
Pflugerville Independent School District	529,802,308	2/1/2015	6.931%	36,720,363
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 39,899,439</b>
The District <sup>(a)</sup>	\$ 24,685,000	7/1/2015	100.00%	<u>24,685,000</u>
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b><u>\$ 64,584,439</u></b>
<b>Ratio of Estimated Direct and Overlapping Debt to 2014 Certified Assessed Valuation</b>				<b>12.55%</b>
<b>Ratio of Estimated Direct and Overlapping Debt to 2015 Preliminary Assessed Valuation</b>				<b>0.00%</b>

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

## Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill <sup>(a)</sup>
	Travis County	Travis County
Travis County	\$0.456300	\$ 630
Travis County ESD No. 2	0.098200	136
Travis County Healthcare District	0.126400	175
Austin Community College District	0.094200	130
Pflugerville Independent School District	1.540000	2,126
The District	0.736000	1,016
<b>Total</b>	<b><u>\$3.051100</u></b>	<b><u>\$ 4,213</u></b>

(a) Based on the 2014 average home value of \$138,069, as provided by TCAD.

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## TAX DATA

**Classification of Assessed Valuation - Table 9**

Type Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Single Family	\$423,592,061	82.29%	\$365,470,465	73.37%	\$348,983,822	82.28%
Multi Family Residence	69,760,185	13.55%	63,455,418	12.74%	37,168,771	8.76%
Vacant Lot	722,253	0.14%	1,280,270	0.26%	1,460,824	0.34%
Qualified Ag Land	820,915	0.16%	820,915	0.16%	-	0.00%
Non-Qualified Land	6,040,300	1.17%	6,040,300	1.21%	7,217,448	1.70%
Commercial Real Property	14,663,618	2.85%	13,492,990	2.71%	14,201,858	3.35%
Telephone Company	427,174	0.08%	487,748	0.10%	539,384	0.13%
Cable Television Company	-	0.00%	99,401	0.02%	100,153	0.02%
Commercial Personal Property	5,740,263	1.12%	5,918,470	1.19%	7,983,642	1.88%
Industrial Personal Property	48,903,806	9.50%	83,454,265	16.75%	67,229,569	15.85%
Residential Inventory	1,398,912	0.27%	2,812,597	0.56%	2,609,985	0.62%
Totally Exempt Property	8,244,438	1.60%	8,334,972	1.67%	647,798	0.15%
Less: Adjustments	(65,547,762)	-12.73%	(53,567,995)	-10.75%	(63,983,403)	-15.08%
<b>Total</b>	<b>\$514,766,163</b>	<b>100.00%</b>	<b>\$498,099,816</b>	<b>100.00%</b>	<b>\$424,159,851</b>	<b>100.00%</b>

**Tax Collections - Table 10**

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District reports and records of the District Tax Assessor/Collector. Reference is made to such reports and records for further and more complete information. See "Classification of Assessed Valuation" above.

Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
1997	\$39,530,168	\$ 0.5957	\$ 235,481	\$ 234,276	99.49%	\$ 234,276	99.49%	9/30/1998 <sup>(b)</sup>
1998	52,600,963	0.5957	313,344	309,580	98.80%	309,580	98.80%	9/30/1999 <sup>(b)</sup>
1999	63,111,800	0.6400	403,916	398,812	98.74%	401,290	99.35%	9/30/2000 <sup>(b)</sup>
2000	85,240,045	0.6400	545,536	538,802	98.77%	543,128	99.56%	9/30/2001 <sup>(b)</sup>
2001	106,890,553	0.6500	694,789	684,962	98.59%	697,402	100.38%	9/30/2002 <sup>(b)</sup>
2002	136,081,264	0.6500	884,528	862,922	97.56%	875,604	98.99%	9/30/2003 <sup>(b)</sup>
2003	175,127,410	0.7500	1,313,456	1,289,157	98.15%	1,315,294	100.14%	9/30/2004 <sup>(b)</sup>
2004	217,798,615	0.7500	1,633,492	1,615,505	98.90%	1,620,221	99.19%	9/30/2005 <sup>(b)</sup>
2005	257,839,127	0.7500	1,933,793	1,884,671	97.46%	1,885,004	97.48%	9/30/2006 <sup>(b)</sup>
2006	299,149,058	0.7500	2,243,618	2,220,419	98.97%	2,235,388	99.63%	9/30/2007 <sup>(b)</sup>
2007	357,239,412	0.7500	2,679,296	2,560,124	95.55%	2,593,289	96.79%	9/30/2008 <sup>(b)</sup>
2008	383,023,670	0.7500	2,872,678	2,855,769	99.41%	2,871,442	99.96%	9/30/2009 <sup>(b)</sup>
2009	434,241,694	0.7500	3,256,813	3,247,016	99.70%	3,260,375	100.11%	9/30/2010 <sup>(b)</sup>
2010	426,534,832	0.7500	3,199,013	3,165,528	98.95%	3,174,569	99.24%	9/30/2011 <sup>(b)</sup>
2011	427,743,268	0.7360	3,205,834	3,186,569	99.40%	3,217,753	100.37%	9/30/2012 <sup>(b)</sup>
2012	424,235,450	0.7500	3,181,766	3,173,513	99.74%	3,187,957	100.19%	9/30/2013 <sup>(b)</sup>
2013	498,099,816	0.7500	3,735,748	3,730,108	99.85%	3,738,316	100.07%	9/30/2014 <sup>(b)</sup>
2014	512,283,687	0.7360	3,788,325	2,838,082	74.92%	2,840,078	74.97%	9/30/2015 <sup>(c)</sup>

(a) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects tax collections through December 31, 2014. Taxes were due with no penalty by January 31, 2015.

**District Tax Rates – Table 11**

	Tax Rates per \$100 Assessed Valuation							
	2014	2013	2012	2011	2010	2009	2008	2007
<b>Debt Service</b>	\$0.4343	\$0.4451	\$0.5271	\$0.4618	\$0.4711	\$0.4468	\$0.3467	\$0.3025
<b>Maintenance</b>	0.3017	0.3049	0.2229	0.2882	0.2789	0.3032	0.4033	0.4475
<b>Total</b>	<b>\$0.7360</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>

**Tax Rate Limitation**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds, and any tax bonds which may be issued in the future. At an election held on December 21, 1985, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2014 maintenance and operations tax of \$0.3017/\$100 assessed valuation.

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2014, 2013, and 2012 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2014	2013	2012
MFREVF - Tech Ridge LP <sup>(b)</sup>	Apartments	\$ 31,440,409	\$ 30,530,000	\$ 27,500,000
Oaks at Techridge Partners LP	Land and Improvements	26,476,764	23,986,764	1,780,676
Realty Associates Fund IX LP	Land and Improvements	12,353,750	11,160,326	12,761,868
Village @ Northtown Ltd	Land and Improvements	5,081,137	5,080,908	5,170,765
Samsung Austin Semiconductor	Commercial	3,116,691	40,088,872	(a)
Oaks at Techridge Phase 2 Partners L.P	Land and Improvements	2,840,324	(a)	(a)
Applied Materials Inc.	Commercial	2,701,766	2,265,789	7,020,365
AM Petroleum Inc.	Industrial	2,309,868	2,332,664	2,521,088
Advanced Energy Industries Inc.	Commercial	940,217	(a)	(a)
Gigaphoton USA Inc.	Commercial	908,040	1,104,661	1,103,258
KB Home Lone Star LP	Land and Improvements	(a)	1,311,160	2,624,322
KB Home Lone Star Inc.	Land and Improvements	(a)	787,750	(a)
NGK Electronics	Commercial	(a)	(a)	866,739
Individual Homeowner	Land and Improvements	(a)	(a)	653,500
<b>Total</b>		<b>\$ 88,168,966</b>	<b>\$118,648,894</b>	<b>\$ 62,002,581</b>
<b>Percent of Certified Assessed Valuation</b>		<b>17.21%</b>	<b>23.82%</b>	<b>14.62%</b>

(a) Not a top ten taxpayer in respective year.

(b) Formerly called Techridge Multi-Family.

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### Tax Adequacy for Debt Service\*

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Certified Assessed Valuation and 2015 Preliminary Assessed Valuation and utilize tax rates adequate to service the District's projected total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2015-2025).....	\$2,159,381
\$0.45 Tax Rate on the 2014 Certified Assessed Valuation of \$514,452,256 @ 95% collections produces .....	\$2,199,283
\$ <input type="text"/> Tax Rate on the 2015 Preliminary Assessed Valuation of \$ <input type="text"/> @ 95% collections produces .....	\$ <input type="text"/>
Projected Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2020).....	\$2,245,019
\$0.46 Tax Rate on the 2014 Certified Assessed Valuation of \$514,452,256 @ 95% collections produces .....	\$2,248,156
\$ <input type="text"/> Tax Rate on the 2015 Preliminary Assessed Valuation of \$ <input type="text"/> @ 95% collections produces .....	\$ <input type="text"/>

### Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/15.....	\$2,228,134*(a)
Audited Debt Service Fund Balance as of 9/30/14.....	\$650,514 <sup>(b)</sup>
2014 Tax Levy @ 95% collections produces .....	2,113,606 <sup>(c)</sup>
Total Available for Debt Service.....	<u>\$2,764,120</u>

- (a) Interest payments on the Bonds commences September 1, 2015.  
(b) Audited. Represents fund balance after all 2014 debt service requirements have been paid.  
(c) The District levied a 2014 debt service tax rate of \$0.4343.

\* Preliminary; subject to change.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds and the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

### Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District (the "TCAD") has the responsibility for appraising property for all taxing units within Travis County, including the District.

Such appraised values whether certified or estimated are subject to review and change by the Travis Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

### **Property Subject to Taxation by the District**

*General:* Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$1,500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Goods, wares and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into Texas and forwarded out of Texas within 175 days thereafter are also exempt. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to \$3,000 of assessed value. Partially exempt to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. Disabled veterans who receive from the United States Department of Veterans Affairs, or its successors, a rating of 100% disabled are entitled to an exemption from taxation of the total appraised value of the resident's homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Also exempt, if approved by the Board of Directors of the District or through a process of petition and referendum by the District's voters, are residential homesteads of persons sixty-five (65) years or older and of certain disabled persons of not less than \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

*Tax Abatement:* Travis County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

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

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax

rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The chief appraiser uses the method he or she considers the most appropriate. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the TCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the TCAD chooses formally to include such values on its appraisal roll.

#### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the TCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

#### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

#### **Rollback of Operation and Maintenance Tax Rate**

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

## **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2014". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies."

## **Effect of FIRREA on Tax Collections**

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See "INVESTMENT CONSIDERATIONS - The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

## **LEGAL MATTERS**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "SALE AND DISTRIBUTION OF BONDS - Securities Laws," "PLAN OF FINANCING - Refunded Bonds," "THE BONDS" (except for the subcaptions "Payment Record" and "Remedies in Event of Default"), "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") to determine that the information relating to the Bonds and the Bond Order contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, \_\_\_\_\_, Texas. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

## **No-Litigation Certificate**

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

## **VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS**

Grant Thornton, L.L.P., a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the District its verification report indicating that it has performed certain procedures to verify, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of the information provided by the Financial Advisor relating to (a) the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal and interest on the Refunded Bonds and (b) the "Yield" on the Federal Securities and on the Bonds. Such computations will be completed using certain assumptions and information provided by the Financial Advisor on behalf of the District. Grant Thornton, L.L.P. has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

## **TAX MATTERS**

### **Opinion**

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.



## **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, all of which are subject to change or modification, retroactively.

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by Section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

#### **State, Local and Foreign Taxes**

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

#### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

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

#### **CONTINUING DISCLOSURE OF INFORMATION**

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

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such

financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

#### **Notice of Certain Events**

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "– Annual Reports."

#### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB and will be available to the public free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

#### **Limitations and Amendments**

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

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an Underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or

repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### **Compliance with Prior Undertakings**

The District is in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12, except to the extent described below.

Assured Guaranty Municipal Corp. insures certain bonds issued by the District. On March 18, 2014, Standard & Poor's Ratings Services upgraded the rating of Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Municipal Assurance Corp., from "AA-" to "AA." On June 18, 2014, the District filed a notice of such rating change with the MSRB through the EMMA system, which was more than ten (10) business days after the date of the rating change. The District has established procedures to ensure future compliance with its continuing disclosure undertaking.

### **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

### **UNDERWRITING**

The Underwriter of the Bonds has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$ \_\_\_\_\_ from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriter.

### **OFFICIAL STATEMENT**

#### **Preparation**

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT". The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in the preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DEVELOPER" - Village @ Northtown Ltd. and 360 Professional Services, Inc. (the "Engineer"); "THE DISTRICT - City of Austin Consent Agreement" Armbrust & Brown, PLLC; "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT" - Travis Central Appraisal District and Records of the District ("Records"); "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water And Wastewater Operations" - Audits, Records and Tax Assessor/Collector; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAXING PROCEDURES," and "TAX MATTERS" - McCall, Parkhurst & Horton L.L.P.

#### **Consultants**

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

*The Engineer:* The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by 360 Professional Services, Inc., and has been included in reliance upon the authority of said firm in the field of civil engineering.

*Appraisal District:* The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Travis Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

*Auditor:* The District's financial statements for fiscal year ending September 30, 2014 were audited by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2014 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Mr. Bruce Elfant in reliance upon his authority in the field of tax assessing and collecting.

#### **Official Statement "Deemed Final"**

For purposes of compliance with Rule 15c(2)-12 of the Securities Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c(2)-12.

#### **Annual Audits**

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bonds outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Northtown Municipal Utility District, as of the date shown on the first page hereof.

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Robin Campbell  
President, Board of Directors

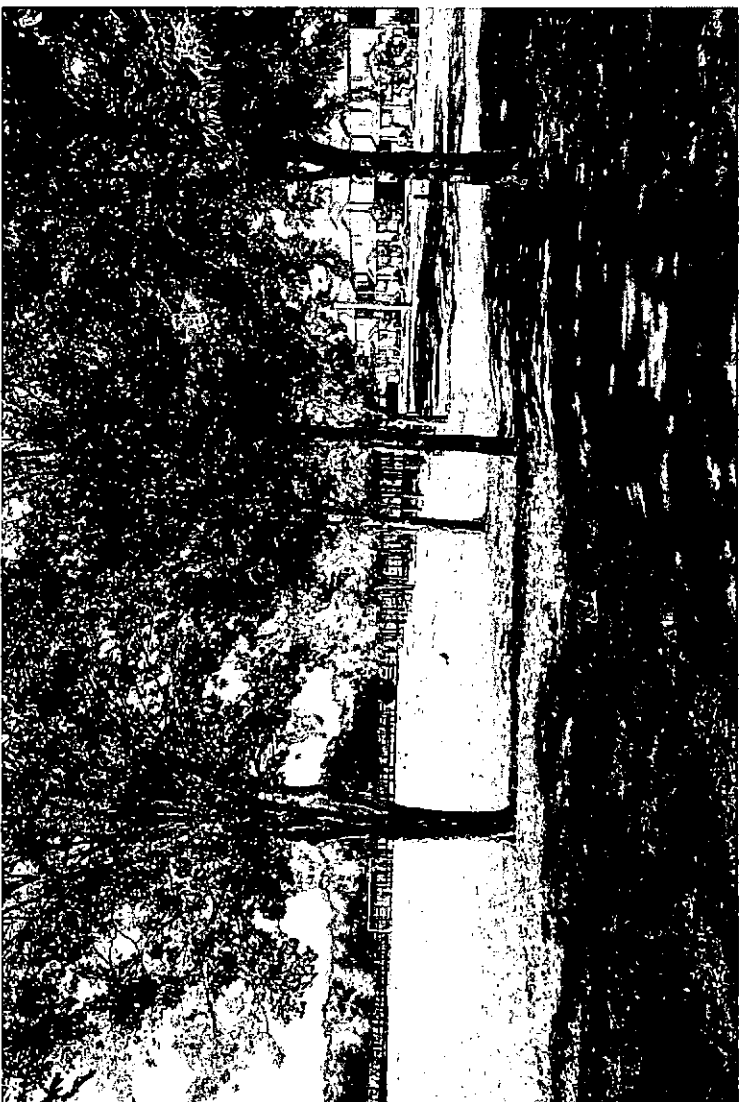
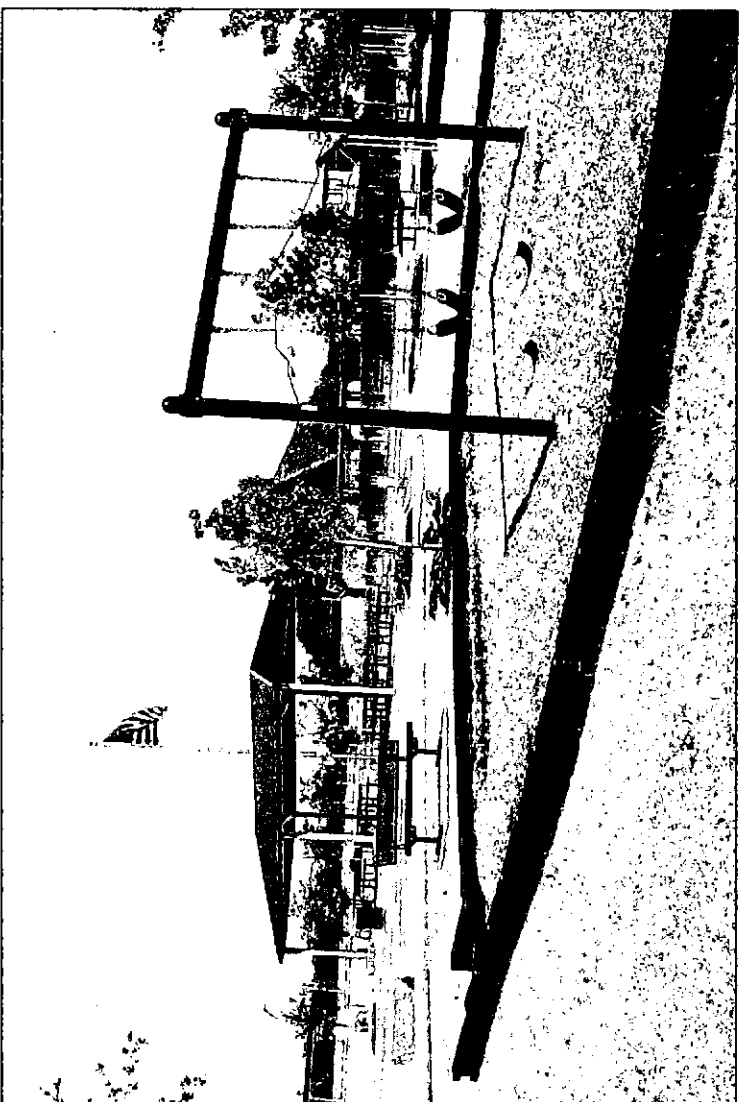
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Felix Amaro, Jr.  
Assistant Secretary, Board of Directors

## PHOTOGRAPHS

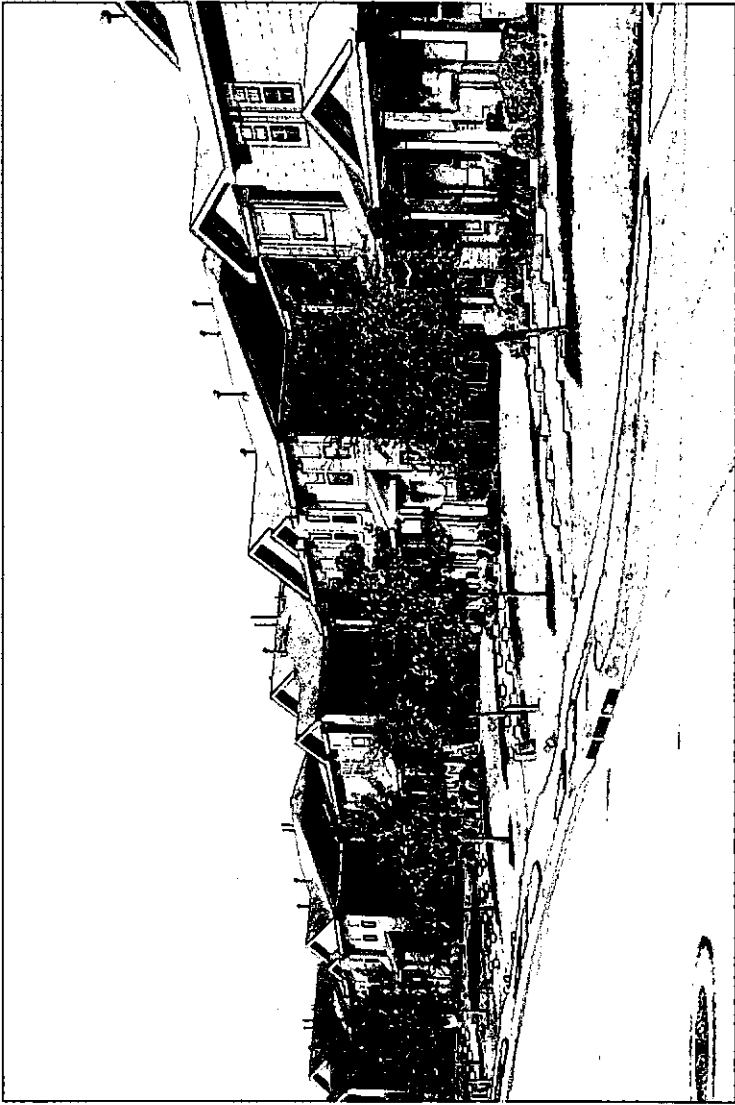
The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

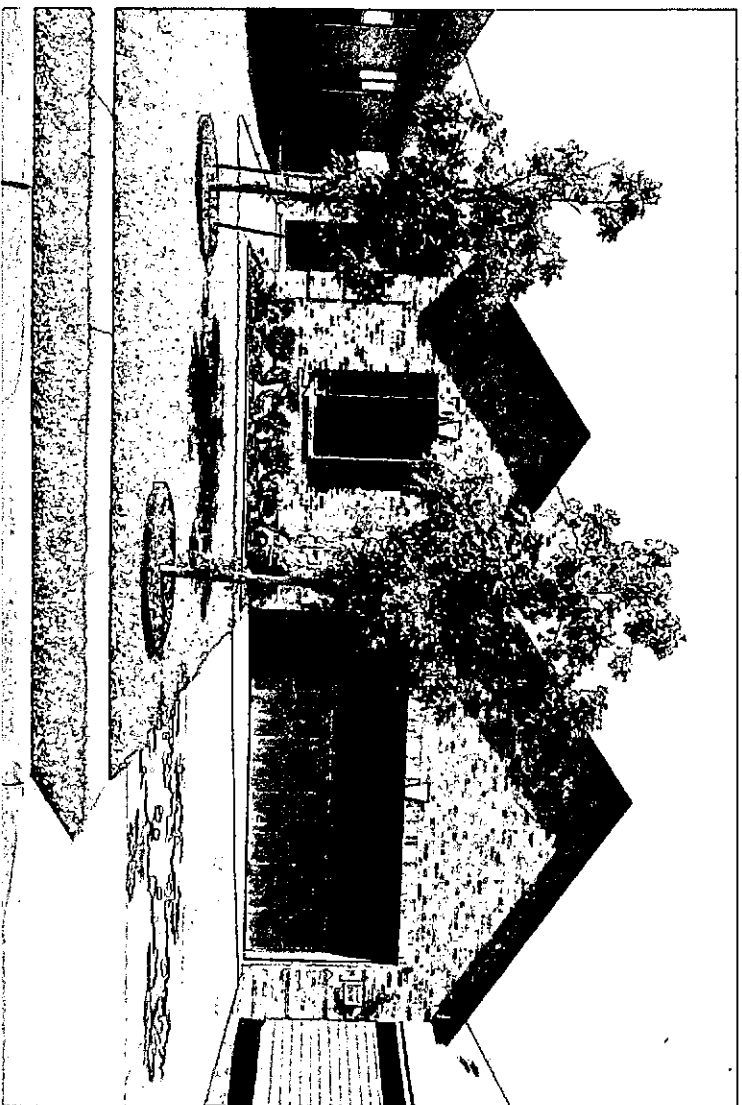
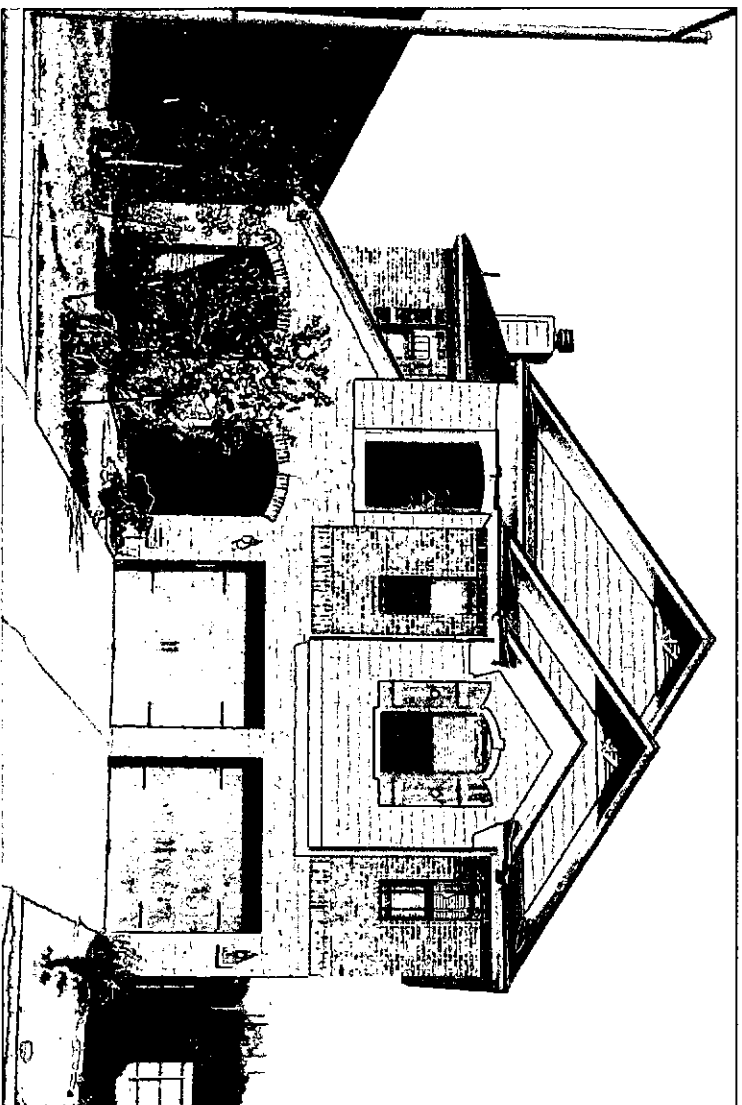












**APPENDIX A**  
**Audited Financial Statement**

The information contained in this appendix has been excerpted from the audited financial statements of Northtown Municipal Utility District for the fiscal year ended September 30, 2014. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**APPENDIX B**  
**Schedule of Accreted Values**

(To come)

**APPENDIX C**  
**Form of Bond Counsel Opinion**

**APPENDIX D**  
**Specimen Municipal Bond Insurance Policy**