

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Limited Offering Memorandum 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 hereunder.

NEW ISSUE

NOT RATED

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MARCH 14, 2019

THE BONDS ARE INITIALLY OFFERED ONLY TO (1) "ACCREDITED INVESTORS" (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933) OR (2) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933). SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS."

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS — Tax Exemption" herein for a discussion of Bond Counsel's opinion.

\$4,140,000*

CITY OF AUSTIN, TEXAS,

(a municipal corporation of the State of Texas located in Travis, Williamson and Hays Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019

(WHISPER VALLEY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)

Dated Date: April 1, 2019

Due: November 1, as shown on the inside cover

Interest to Accrue from Date of Delivery

The City of Austin, Texas, Special Assessment Revenue Bonds, Series 2019 (Whisper Valley Public Improvement District Improvement Area #1) (the "Bonds"), are being issued by the City of Austin, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal and any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest from the Date of Delivery (as defined herein) at the rates set forth on the inside cover, calculated on the basis of a 360-day year of twelve 30-day months, payable on each May 1 and November 1, commencing November 1, 2019, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by U.S. Bank National Association, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance (the "Bond Ordinance") to be adopted by the City Council of the City (the "City Council") on March 28, 2019, and an Indenture of Trust, dated as of April 1, 2019 (the "Indenture"), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of local infrastructure benefitting Improvement Area #1 (as defined herein) of the Whisper Valley Public Improvement District (the "District"), (ii) funding a portion of a reserve fund for the Bonds, (iii) paying capitalized interest on the Bonds, and (iv) paying the costs of issuance of the Bonds. See "THE IMPROVEMENT AREA #1 IMPROVEMENTS" and "APPENDIX B — Form of Indenture." Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the City payable solely from and secured by the Pledged Revenues (as defined herein), consisting primarily of Bond Assessments (as defined herein) levied against certain assessable properties in Improvement Area #1 in accordance with a Service and Assessment Plan and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See "SECURITY FOR THE BONDS." The Bonds are subject to redemption at the times, in the amounts, and at the redemption price more fully described herein under the subcaption "DESCRIPTION OF THE BONDS — Redemption Provisions."

The Bonds involve a significant degree of risk and are not suitable for all investors. See "BONDHOLDERS' RISKS" and "SUITABILITY FOR INVESTMENT." Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application was made for a rating on the Bonds.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE "SECURITY FOR THE BONDS."

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter (identified below), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Norton Rose Fulbright US LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX D — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the City by its Assistant City Attorney and by McCall, Parkhurst & Horton L.L.P. as Disclosure Counsel to the City, for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP and for the Developer (as defined herein) by its counsel, Metcalfe Wolff Stuart & Williams LLP. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about April 16, 2019 (the "Date of Delivery").

FMSbonds, Inc.

* Preliminary; subject to change.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS,
AND CUSIP NUMBERS***

CUSIP Prefix: ^(a)

\$4,140,000*

CITY OF AUSTIN, TEXAS,

(a municipal corporation of the State of Texas located in Travis, Williamson and Hays Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019

(WHISPER VALLEY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)

\$[] % Term Bonds, Due November 1, 20__, Priced to Yield %; CUSIP No. ^{(a) [(b)] (c)}

\$[] % Term Bonds, Due November 1, 20__, Priced to Yield %; CUSIP No. ^{(a) (b) (c)}

(a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the service provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the City's Financial Advisor and the Underwriter do not take any responsibility for the accuracy of such numbers.

(b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after November 1, 20__, at the redemption price set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

* Preliminary; subject to change.

CITY OF AUSTIN, TEXAS

Elected Officials

	<u>Term Expires January</u>
Steve Adler Mayor	2023
Natasha Harper-Madison Councilmember Place 1	2023
Delia Garza, Mayor Pro Tem Councilmember Place 2	2021
Sabino “Pio” Renteria Councilmember Place 3	2023
Gregorio “Greg” Casar Councilmember Place 4	2021
Ann Kitchen Councilmember Place 5	2023
Jimmy Flannigan Councilmember Place 6	2021
Leslie Pool Councilmember Place 7	2021
Paige Ellis Councilmember Place 8	2023
Kathryne B. Tovo Councilmember Place 9	2023
Alison Alter Councilmember Place 10	2021

Appointed Officials

Spencer Cronk.....	City Manager
Elaine Hart, CPA	Deputy City Manager/Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette S. Goodall	City Clerk

BOND COUNSEL

Norton Rose Fulbright US LLP
Austin and Dallas, Texas

DISCLOSURE COUNSEL FOR THE CITY

McCall, Parkhurst & Horton L.L.P.
Austin and Dallas, Texas

FINANCIAL ADVISOR

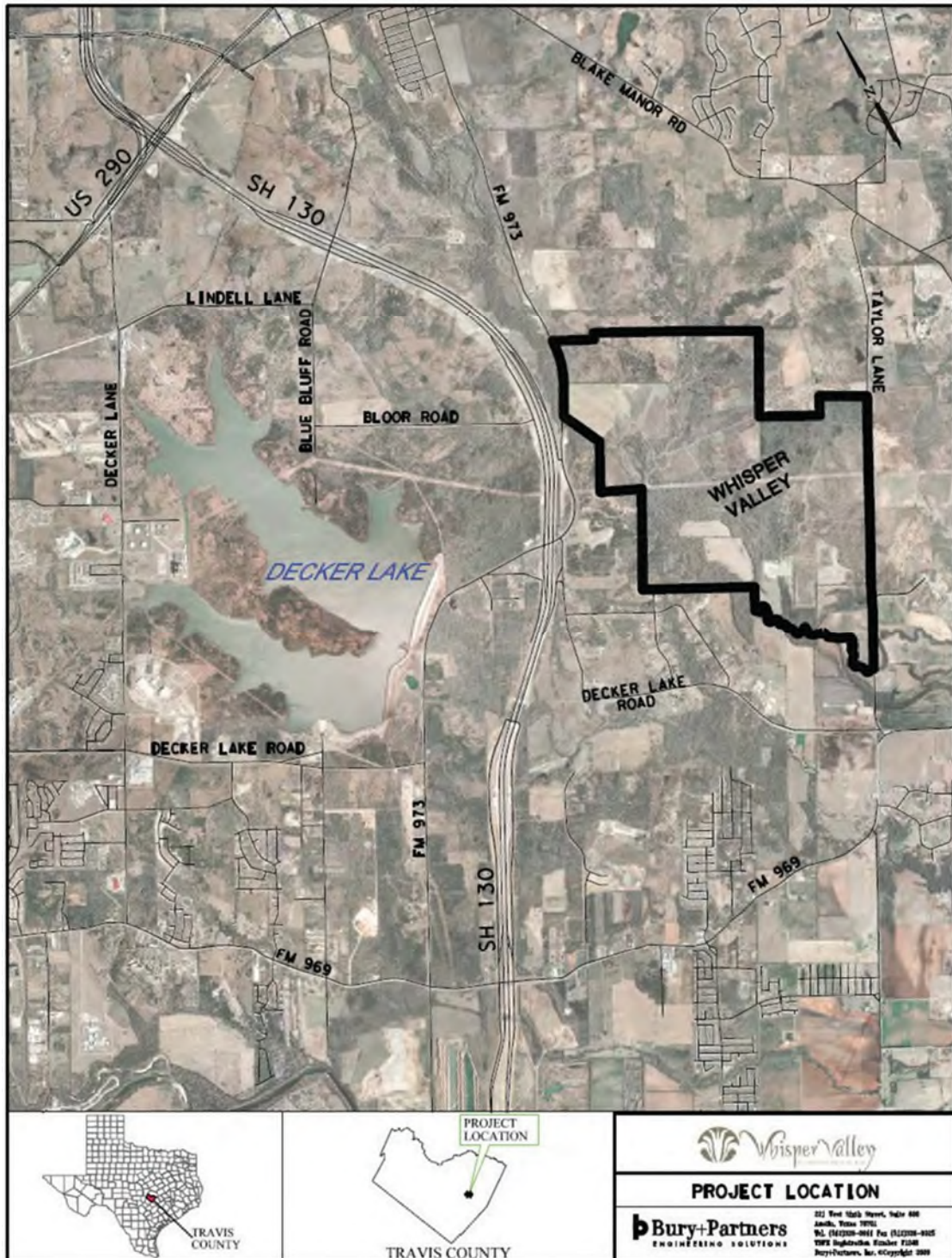
PFM Financial Advisors LLC
Austin, Texas

For additional information regarding the City, please contact:

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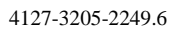
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**MAP SHOWING THE DISTRICT IN
CONTEXT OF THE SURROUNDING AREA**



The map displays Williamson County, Texas, with its boundaries and major transportation routes. The city of Austin is located in the center, with the Travis County line to the south. To the north is Pflugerville, and to the east is Manor. The Sunset Valley Subdivision is highlighted in yellow in the southeastern part of the county, near the intersection of I-183 and I-10. A legend box identifies this area as the 'Sunset Valley Subdivision'. Major roads shown include I-35, I-10, I-183, and various state and county roads. The map also shows geographical features like the Colorado River and several parks.

V



MAP SHOWING SINGLE FAMILY RESIDENTIAL LOTS WITHIN
IMPROVEMENT AREA #1 OF THE DISTRICT



FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES AN "OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN "DEEMED FINAL" BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT OF 1933") AND "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. EACH PROSPECTIVE INITIAL PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS ARE SET FORTH UNDER "BONDHOLDERS' RISKS" HEREIN. EACH INITIAL PURCHASER, BY ACCEPTING THE BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS."

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPER, WHICH ARE BELIEVED BY THE CITY AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE DEVELOPER SINCE THE DATE HEREOF.

NEITHER THE CITY NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE

UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

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PRELIMINARY LIMITED OFFERING MEMORANDUM

\$4,140,000*

CITY OF AUSTIN, TEXAS,

(a municipal corporation of the State of Texas located in Travis, Williamson and Hays Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019

(WHISPER VALLEY PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Austin, Texas (the “City”), of its \$4,140,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2019 (Whisper Valley Public Improvement District Improvement Area #1) (the “Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS,” “BONDHOLDERS’ RISKS,” AND “SUITABILITY FOR INVESTMENT.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be adopted by the City Council of the City (the “City Council”) on March 28, 2019 (the “Bond Ordinance”), and an Indenture of Trust, dated as of April 1, 2019 (the “Indenture”), entered into by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). The City levied special assessments (the “Assessments”) against all of the assessable property within Improvement Area #1 (as defined below) of the Whisper Valley Public Improvement District (the “District”), pursuant to a separate ordinance adopted by the City Council on August 23, 2018, as ratified and confirmed pursuant to an ordinance adopted by the City Council on February 7, 2019 (collectively, the “Assessment Ordinance”). The Bonds will be secured by the proceeds of the Assessments levied on assessable property within Improvement Area #1, excluding the proceeds of the Assessments levied on the 42 parcels sold to third-party homebuyers prior to August 23, 2018 (the “Bond Assessments”). See “PLAN OF FINANCE — Development Plan.”

Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Bonds. All capitalized terms used in this Limited Offering Memorandum that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX B — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Improvement Area #1 Improvements (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein) (including the 2018 Addendum to the Service and Assessment Plan and the 2019 Amended and Restated Service and Assessment Plan (each as defined herein)), the Reimbursement Agreement (as defined herein), the Development Agreement (as defined herein), the Financing Agreement (as defined herein), Club Deal 120 Whisper Valley, Limited Partnership, a Delaware limited partnership (the “Developer”), the Service and Assessment Plan Consultant (as defined herein), the Special Assessment Consultant (as defined herein), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 100 Crescent Court, Suite 700, Dallas, Texas 75201, telephone number (214) 302-2246. The form of Indenture

* Preliminary; subject to change.

appears in APPENDIX B and the form of 2019 Amended and Restated Service and Assessment Plan appears as APPENDIX C. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

PLAN OF FINANCE

Development Plan

The Developer acquired approximately 2,066 acres within the District through two cash purchases in August and December of 2006 for a master planned, mixed use development known as Whisper Valley (the “Development”), which is zoned as a planned unit development (the “PUD”) to allow mixed use clustered density residential (approximately 7,500 for sale and rental housing units) and approximately two million square feet of retail and commercial uses. The Developer’s current development plan is divided into two major stages, “macro-structure” development followed by “micro-structure” or phased development. The macro-structure development began in November of 2011 and consists of the major infrastructure to serve the entire District, including: the construction of necessary water lines, a wastewater treatment plant and associated interceptor line, and the first phase of the primary arterial road Braker Lane, which includes two lanes of what will be a four-lane divided median road (the “Master Improvement Area Improvements”). The Developer anticipates that the phased development plan will consist of approximately seven “Villages” and that each Village will consist of several phases, with approximately 600 - 700 single family lots within each Village. The Developer began the phased development in 2014 with the development of the first phase in Village 1 of the District known as “Whisper Rising” (“Improvement Area #1”), which was followed by the development of the second phase of Village 1 known as “Whisper Heights” (“Improvement Area #2”) beginning in February of 2019. The Developer anticipates that the development of the remaining Villages and phases therein (collectively, and together with Improvement Area #2, the “Future Improvement Area”) will continue through 2034. The concept plan for the District and a map showing Improvement Area #1 are shown in the “MAP SHOWING CONCEPT PLAN OF THE DISTRICT” and “MAP SHOWING SINGLE FAMILY RESIDENTIAL LOTS WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT” on pages v and vi.

Upon completion, estimated to occur in 2034, the Development is expected to consist of approximately 5,018 attached and detached single family residential units, 2,482 rental apartments, 217.3 acres of commercial development, and 38 acres of mixed-use development. The Development is also planned to include approximately 700 acres for park and open space uses such as bike trails, dog parks, community gathering spaces and resort style amenity centers. The Developer also anticipates that the Development will include various yet-to-be determined civic uses, including schools, fire stations and libraries.

As of August 23, 2018, the date the Assessments were levied and the Assessment Lien (as defined herein) became effective, 42 parcels within Improvement Area #1 were sold to third-party homeowners. These homeowners may have the ability to claim homestead rights under State law, which, if claimed, prohibits these properties from being foreclosed for purposes of collecting the Assessments allocable to such properties (the “Reimbursement Assessments”). As such, these 42 parcels, consisting of approximately 4 acres of assessed property (the “Previously Sold Assessed Parcels”), have been carved out and the revenues from the Reimbursement Assessments do not constitute security for the Bonds and are not part of the Pledged Revenues. The term “Bond Assessed Parcels” is used herein to describe the assessed property, other than the Previously Sold Assessed Parcels, which consists of 195 lots spread over approximately 50 acres within Improvement Area #1. See “INTRODUCTION” and “SECURITY FOR THE BONDS — Pledged Revenues” and “— Pledged Revenue Fund.”

Status of Improvement Area #1

In May of 2016, the Developer completed construction of the Master Improvement Area Improvements necessary to serve Improvement Area #1 and the Improvement Area #1 Improvements. Improvement Area #1 includes 237 single family residential units and no multifamily housing or retail and commercial sites. Improvement Area #1 also includes the Discovery Center (as defined herein) and approximately 26 acres of open space and parkland.

Homebuilders and Status of Home Construction

Improvement Area #1. The Developer has executed lot purchase and sale agreements for all 237 single family lots within Improvement Area #1 with merchant homebuilders, including Homes by Avi (Texas) L.P. (“Avi”), Pacesetter Homes, LLC (“Pacesetter”), Aha Dream Homes, LLC (“Aha Dream”), GFO Home (“GFO”) and Buffington Texas Classic Homes, LLC (“Buffington” and together with Avi, Pacesetter, Aha Dream and GFO, the “Homebuilders”). As of February 15, 2019, Avi has purchased 50 completed lots, has finished construction of 11 homes and has sold 18 homes (including homes under contract, but not yet closed on) to third-party homeowners; Pacesetter has purchased 128 completed lots, has finished construction of 51 homes and has sold 58 homes (including homes under contract, but not yet closed on) to third-party homeowners; Buffington has purchased 8 completed lots and has sold 2 homes (not yet closed on) to third-party homeowners; Aha Dream has purchased 2 completed lots and has sold 1 home (not yet closed on) to a third-party homeowner; and GFO has purchased 4 completed lots and has not finished construction of any homes. See “THE DEVELOPMENT — Homebuilder Lot Purchase and Sale Agreements.”

Improvement Area #2. The Developer has executed lot purchase and sale agreements for 265 of the 267 planned single family lots within Improvement Area #2 with merchant homebuilders, including Pacesetter, Aha Dream, GFO and Buffington. See “THE DEVELOPMENT — Homebuilder Lot Purchase and Sale Agreements.”

Prior Bond Financings

To finance the costs of the Master Improvement Area Improvements, the City previously issued its \$15,500,000 City of Austin, Texas, Special Assessment Revenue Bonds, Senior Series 2011 (Whisper Valley Public Improvement District) (the “Senior Master Improvement Bonds”). The Senior Master Improvement Bonds are secured by assessments on assessable property in the entire District, including Improvement Area #1 (“Master Improvement Area Assessments”). On March 12, 2019, provisions were made for the payment of the total outstanding Master Improvement Area Assessments allocable to Improvement Area #1. Such provisions include (i) a prepayment of Master Improvement Area Assessments allocable to Improvement Area #1 and (ii) transfers of funds from the prepayment reserve account and the reserve account of the reserve fund established under the indenture applicable to the Senior Master Improvement Bonds. As a result of such prepayment, the land within Improvement Area #1 will no longer be subject to the Master Improvement Area Assessments. **The Master Improvement Area Assessments are not security for the Bonds.**

Concurrent with the City’s issuance of the Senior Master Improvement Bonds, the City issued its \$18,485,168.10 City of Austin, Texas, Special Assessment Revenue Bonds, Subordinate Series 2011 (Whisper Valley Public Improvement District) (the “Subordinate Master Improvement Bonds”). The Subordinate Master Improvement Bonds were secured by contract payments due to the Developer from the City pursuant to the Master Improvement Area Reimbursement Agreements (as defined herein) and the Master Improvement Area Assessments, subject to prior payment from such Master Improvement Area Assessments of debt service and other costs related to and the funding of required reserves established to secure the Senior Master Improvement Bonds. The Subordinate Master Improvement Bonds are no longer outstanding.

The Bonds

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of the local infrastructure benefitting Improvement Area #1 (the “Improvement Area #1 Improvements”), (ii) funding a portion of a reserve fund for the Bonds, (iii) paying capitalized interest on the Bonds, and (iv) paying the costs of issuance of the Bonds. See “THE IMPROVEMENT AREA #1 IMPROVEMENTS,” “APPENDIX B — Form of Indenture” and “SOURCES AND USES OF FUNDS.”

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues (as defined herein) and other funds comprising the Trust Estate, consisting primarily of Bond Assessments levied against the Bond Assessed Parcels within Improvement Area #1 of the District, all to the extent and upon the conditions described herein and in the Indenture. The Reimbursement Assessments do not constitute security for the Bonds and are not part of the Pledged Revenues. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.” **The Bonds shall never constitute an indebtedness or general obligation of the City, the State or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever,**

but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds.

The Reimbursement Agreement

The City and the Developer expect to enter into the Whisper Valley Public Improvement District Improvement Area #1 Reimbursement Agreement (the “Reimbursement Agreement”) on April 16, 2019, the anticipated date of initial delivery of the Bonds to the Underwriter (the “Date of Delivery”), which will provide, in part, for the deposit of revenues from the Reimbursement Assessments and the reimbursement of a portion of the costs of the Improvement Area #1 Improvements (as defined herein) heretofore constructed by the Developer. See “THE IMPROVEMENT AREA #1 IMPROVEMENTS” and “THE DEVELOPMENT — Reimbursement Agreement.”

Phased Bonds

It is anticipated that the City will, but is under no obligation to, issue one or more series of phased bonds (collectively, the “Phased Bonds” and, together with the Bonds and the Senior Master Improvement Bonds, the “PID Bonds”) to finance the cost of future internal improvements within the Future Improvement Area of the District (the “Future Improvements”) as the development proceeds. The estimated costs of the Future Improvements benefiting each Future Improvement Area of the District will be determined as such Future Improvement Area of the District is developed, and the Service and Assessment Plan will be updated to identify the Future Improvements to be constructed within such Future Improvement Area of the District to be financed by each new series of Phased Bonds. Such Phased Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within each Future Improvement Area of the District. The Developer anticipates that Phased Bonds will be issued over a period of approximately 15 years.

The Bonds, the Senior Master Improvement Bonds and any Phased Bonds issued by the City are separate and distinct issues of securities secured by separate assessments. The Phased Bonds are not offered pursuant to this Limited Offering Memorandum.

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

Each potential purchaser of the Bonds in the initial underwriting is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “accredited investors” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute the investment letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
2. The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
4. The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being

registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the underwriter is not deemed an officer or employee of the City.

6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid to the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the State of Texas (the “State”) or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

7. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

8. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

DESCRIPTION OF THE BONDS

General Description

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of the local infrastructure benefitting Improvement Area #1 (the “Improvement Area #1 Improvements”), (ii) funding a portion of a reserve fund for the Bonds, (iii) paying capitalized interest on the Bonds, and (iv) paying the costs of issuance of the Bonds. See “APPENDIX B — Form of Indenture.”

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from the Date of Delivery and will be computed on the basis of a 360-day year of twelve 30-day months payable on each May 1 and November 1, commencing November 1, 2019 (each an “Interest Payment Date”), until maturity or prior redemption. U.S. Bank National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal and any integral multiple of \$5,000 in excess thereof (or such smaller amount as authorized under the Indenture as a result of partial redemption) (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem Bonds before their scheduled maturity dates, in whole or in part, on any date on or after November 1, 20__, such redemption date or dates to be fixed by the City, at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption prior to their respective scheduled maturity dates, in whole or in part, on the first day of any month, at 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption, from amounts on deposit in the Redemption Fund as a result of Bond Prepayments (including related transfers to the Redemption Fund as provided in the Indenture), or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture. See “APPENDIX B — Form of Indenture.”

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1 in the years ____ and ____ are subject to mandatory sinking fund redemption prior to their stated maturities and will be redeemed by the City in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption from money available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective principal amounts as set forth in the following schedule:

<u>\$ Term Bonds due November 1, 20</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
_____, 20	\$
_____, 20	
_____, 20	
_____, 20†	
† Stated maturity.	

<u>\$ Term Bonds due November 1, 20</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
_____, 20	\$
_____, 20	
_____, 20	
_____, 20†	
† Stated maturity.	

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee will select a principal amount of Bonds of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, will call such Bonds for redemption on such sinking fund redemption date, and will give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least forty-five (45) days prior to the sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption. Notice of any redemption shall be given by the Trustee at least thirty (30) days prior to the redemption date by giving written notice to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. Notice of redemption having been given as provided in the Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the principal amount plus accrued interest on such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the redemption price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state that the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Trustee will give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The City has the right to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Additional Provisions with Respect to Redemption. If less than all of the Bonds are to be redeemed, the Bonds shall be redeemed in minimum principal amounts of \$5,000 or any integral thereof by any method selected by the Trustee that results in a pro rata reduction of the outstanding maturities. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. A portion of a single Bond of an Authorized Denomination may be redeemed, but only in a principal amount equal to \$5,000 or any integral thereof. The Trustee shall treat each \$5,000 portion of such Bond as though it were a single bond for purposes of selection for redemption. No redemption shall result in a Bond in a denomination of less than an Authorized Denomination; provided, however, if the amount of Outstanding Bonds is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$5,000, may be issued.

Upon surrender of any Bond for redemption in part, the Trustee, in accordance with the provisions of the Indenture, shall authenticate and deliver and exchange the Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

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 DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each 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 the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 affect 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 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 registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other 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 City or Paying Agent/Registrar, on the payment 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 Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, 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 Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. 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.

SECURITY FOR THE BONDS

General

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO

DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the "Pledged Revenues"), consisting primarily of Bond Assessments levied against the Bond Assessed Parcels within Improvement Area #1 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. See "APPENDIX B — Form of Indenture." Improvement Area #1 contains approximately 50 acres subject to the Bond Assessments. In accordance with the PID Act, on November 3, 2011, the City Council approved and adopted a Service and Assessment Plan (as amended, including any annual updates and addenda, including, specifically, the 2018 Addendum to the Service and Assessment Plan and the 2019 Amended and Restated Service and Assessment Plan, the "Service and Assessment Plan"), which describes the special benefit received by the property within the District, provides the basis and justification for the determination of special benefit on such property and establishes the methodology for the levy of special assessments within the District. On August 23, 2018, the City Council approved and adopted the 2018 Addendum to the Service and Assessment Plan (the "2018 Addendum to the Service and Assessment Plan"), which describes the special benefit received by the property within Improvement Area #1 of the District, provides the basis and justification for the determination of special benefit on such property and establishes the methodology for the levy of the Bond Assessments and Reimbursement Assessments. On March 28, 2019, the City Council is expected to approve the 2019 Amended and Restated Service and Assessment Plan (the "2019 Amended and Restated Service and Assessment Plan"), which will amend and restate the Service and Assessment Plan in its entirety for the purposes of (1) incorporating provisions of the Service and Assessment Plan and the 2018 Addendum to the Service and Assessment Plan into one document, (2) issuing the Bonds, including providing for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds, and (3) updating the assessment rolls therein, including the Bond Assessment Roll (as defined herein) and Reimbursement Assessment Roll (as defined herein). **The revenues from the Reimbursement Assessments levied on the Previously Sold Assessed Parcels do not constitute security for the Bonds and are not part of the Pledged Revenues.**

The Service and Assessment Plan is reviewed and updated at least annually for the purpose of determining the annual budget for improvements and the annual installments of assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan."

Pledged Revenues

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance a portion of the Improvement Area #1 Improvements by levying Bond Assessments upon properties in the Improvement Area #1 of the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments, including the Bond Assessments, levied in Improvement Area #1 of the District, see "ASSESSMENT PROCEDURES" and "APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan."

Pursuant to the Indenture, Pledged Revenues consist of (i) Assessment Revenue less the Annual Collection Costs, (ii) the money held in any of the Pledged Funds, and (iii) any additional revenues that the City may pledge to the payment of Bonds. "Assessment Revenues" means money collected by or on behalf of the City from any one or more of the following: (i) a Bond Assessment levied against a Bond Assessed Parcel, or Annual Installment payment thereof, including any interest on such Bond Assessment or Annual Installment thereof during any period of delinquency, (ii) Bond Prepayments, and (iii) Foreclosure Proceeds. Any moneys collected by or on behalf of the City from any amounts levied on the Previously Sold Assessed Parcels shall not constitute Assessment Revenues. Under the Indenture, "Annual Installments" means, with respect to each Bond Assessed Parcel, each annual payment of: (i) the Bond Assessment as shown on the Bond Assessment Roll attached to the Service and Assessment Plan and related to the Bonds and the Improvement Area #1 Improvements; (ii) administrative expenses; and (iii) the Additional Interest. "Bond Prepayment" means the prepayment of all or a portion of a Bond Assessment before the due date thereof. Under the Indenture, "Delinquent Collection Costs" means the costs related to the foreclosure on a Bond Assessed Parcel and the costs of collection of a delinquent Bond Assessment including penalties and reasonable

attorney's fees actually paid, but excluding amounts representing interest and penalty interest. Under the Indenture, "Foreclosure Proceeds" means the proceeds, including interest and penalty interest, received by the City from the enforcement of the Bond Assessments against any Bond Assessed Parcel or Bond Assessed Parcels, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs. "Additional Interest" means the amount collected by application of the Additional Interest Rate (as defined below). The City will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Bond Assessments to be collected and the liens thereof to be enforced continuously. See "— Pledged Revenue Fund," "APPENDIX B — Form of Indenture" and "APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan."

The PID Act provides that the Bond Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Bond Assessment Lien") against the Bond Assessed Parcels, superior to all other liens or claims, except liens and claims by State of Texas, city, county, school district, or other political subdivisions for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Bond Assessment Lien is effective from the approval of the Assessment Ordinance on August 23, 2018 until the Bond Assessments are paid and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See "ASSESSMENT PROCEDURES" herein.

Collection and Deposit of Bond Assessments

The Bond Assessments shown on the Bond Assessment Roll, together with the interest thereon, shall be applied to the payment of the principal of and interest on the Bonds and to pay Annual Collection Costs, relating to the Bond Assessments, as and to the extent provided in the Service and Assessment Plan and the Indenture.

The Bond Assessments assessed to pay debt service on the Bonds, together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds. An Annual Installment of a Bond Assessment has been made payable in the Assessment Ordinance in each Fiscal Year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the portion of the debt service requirements attributable to Bond Assessments in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

A record of the Bond Assessments on each parcel, tract, or lot which are to be collected in each year during the term of the Bonds is shown on the Bond Assessment Roll. Sums received from the collection of the Bond Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds and penalties and interest thereon) shall be deposited into the Pledged Revenue Fund. The Trustee shall deposit amounts received as Bond Prepayments in the Pledged Revenue Fund as soon as practicable after such deposit shall promptly transfer such amounts into the Redemption Fund. The Trustee shall deposit Foreclosure Proceeds in the Pledged Revenue Fund and as soon as practical after such deposit shall transfer the Foreclosure Proceeds *first* to the Reserve Fund to restore any transfers from the Reserve Fund made to which the Bond Assessed Parcel or Bond Assessed Parcels to which the Foreclosure Proceeds relate, and *second* to the Redemption Fund.

After the deposit of the Bond Assessments in the Pledged Revenue Fund to pay principal of and interest on the Bonds and to fund any deficiency that may exist in account within the Reserve Fund, the Trustee, at the direction of the City, may apply Bond Assessments for any lawful purpose for which Bond Assessments may be used under the PID Act. See "— Pledged Revenue Fund." The portions of the Annual Installments of Bond Assessments collected to pay Annual Collection Costs relating to the Bonds shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

Unconditional Levy of Bond Assessments

The City has imposed Bond Assessments on the Bond Assessed Parcels within Improvement Area #1 of the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Bond Assessment shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Bond Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Bond Assessments. Pursuant to the

Assessment Ordinance, interest on the Bond Assessments will be calculated at the rate of interest on the Bonds plus the 0.50% additional interest charged on Bond Assessments pursuant to the PID Act (the “Additional Interest Rate”) calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of a Bond Assessment, shall be calculated and billed in the same manner and at the same time that the City collects ad valorem taxes, and shall generally be billed beginning October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments of Bond Assessments will be delinquent if not paid prior to February 1, 2020.

As authorized by the PID Act, the City will calculate and collect each year while the Bonds are Outstanding and unpaid, commencing October 1, 2019, an Annual Installment of the Bond Assessment to pay the annual costs incurred by the City in the administration and operation of the District. The portion of each Annual Installment of a Bond Assessment used to pay such annual costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to the PID Act. The Annual Installments of the Bond Assessments to pay annual expenses shall be due in the manner set forth in the Assessment Ordinance when billed each year and shall be delinquent if not paid by February 1 of the following year. Such Annual Installments of the Bond Assessments to pay Annual Collection Costs do not secure repayment of the Bonds.

There will be no discount for the early payment of a Bond Assessment.

Bond Assessments together with interest, penalties, and expense of collection and reasonable attorneys’ fees, as permitted by the Texas Tax Code, shall be first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for state, county, school district, or municipal ad valorem taxes and shall be a personal liability of and charge against the owner of the property regardless of whether the owners are named. The lien for Bond Assessments and penalties and interest shall begin on the effective date of the Assessment Ordinance and continue until the Bond Assessments are paid or until all Bonds are finally paid.

Failure to pay an Annual Installment of Bond Assessments when due shall not accelerate the payment of the remaining Annual Installments of the Bond Assessment and such remaining Annual Installments (including interest) shall continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

Perfected Security Interest

The lien on and pledge of the Pledged Revenues shall be valid and binding and fully perfected from and after the Date of Delivery, which is the date of the delivery of the Indenture, without physical delivery or transfer of control of the Pledged Revenues, the filing of the Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the City under the Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the City under the Indenture is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur. See “APPENDIX B — Form of Indenture.”

Pledged Revenue Fund

The City will create under the Indenture a Pledged Revenue Fund to be held by the Trustee. On or about March 10 of each year while the Bonds are Outstanding and beginning with the year when Bond Assessments are being collected, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the City shall deposit or cause to be deposited Assessment Revenue as follows: (i) *first*, to the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due, (ii) *second* to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Fund Requirement, (iii) *third*, to the Prepayment and Delinquency Reserve Account in an amount to cause the amount in the Prepayment and Delinquency Reserve Account to equal the

Prepayment and Delinquency Reserve Requirement, and (iv) *fourth*, after satisfaction of the Prepayment and Delinquency Reserve Requirement, to the Redemption Fund. **For the avoidance of doubt, any revenues derived from the Reimbursement Assessments levied on the Previously Sold Assessed Parcels shall not be deposited into the Pledged Revenue Fund, do not constitute Pledged Revenues, are not part of the Trust Estate and are not security for the Bonds.**

From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) business days before each Interest Payment Date, the Trustee will withdraw from the Pledged Revenue Fund and transfer to the Principal and Interest Account of the Bond Fund, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account of the Bond Fund to the Principal and Interest Account of the Bond Fund, such that the amount on deposit in the Principal and Interest Account of the Bond Fund equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

If, after the foregoing transfers and any transfer from the Reserve Fund as provided in (as described under the subcaptions “Reserve Account of the Reserve Fund” and “Delinquency and Prepayment Reserve Account of the Reserve Fund” below) there are insufficient funds to make the payments provided in the preceding paragraph, the Trustee will apply the available funds in the Principal and Interest Account of the Bond Fund first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds.

The Trustee shall transfer Bond Prepayments to the Redemption Fund as soon as practicable after deposit of such amounts into the Pledged Revenue Fund.

The Trustee shall transfer Foreclosure Proceeds *first* to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Bond Assessed Parcel(s) to which the Foreclosure Proceeds relate, and *second*, to the Redemption Fund, as soon as practicable after deposit of such amounts into the Pledged Revenue Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Fund, the Trustee, at the direction of the City, may apply Bond Assessments for any lawful purpose for which Bond Assessments may be used under the PID Act.

Bond Fund

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account of the Bond Fund and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account of the Bond Fund as provided in the Indenture.

Project Fund

Pursuant to the Indenture, a Project Fund will be created to be used for the purposes described in “PLAN OF FINANCE – The Bonds.”

Disbursements from the Costs of Issuance Account of the Project Fund will be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Disbursements from all other Accounts of the Project Fund to pay costs of the Improvement Area #1 Improvements will be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certificate for Payment. The disbursement of funds from the Project Fund pursuant to a Certificate for Payment shall be pursuant to and in accordance with the disbursement procedures described in the Financing Agreement.

If the City Representative reasonably determines in his or her sole discretion that amounts then on deposit in the Improvement Account of the Project Fund are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive abandonment, of the Improvement Area #1 Improvements, as the case may be, such that, in the opinion of the City Representative, it is unlikely that the amounts in the Improvement Account of the Project Fund will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Account of the Project Fund that are not expected to be used for purposes of the Project Fund. If such City Certificate is so filed, the amounts

on deposit in the Improvement Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

Upon the filing of a City Certificate stating that all Improvement Area #1 Improvements have been completed and that all costs of the Improvement Area #1 Improvements have been paid, or that any such costs are not required to be paid from the Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee (i) will transfer the amount, if any, remaining within the Project Fund to the Bond Fund and (ii) the Project Fund shall be closed.

Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Fund Requirement. Pursuant to the Indenture, the "Reserve Fund Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of the date of issuance, or (iii) 10% of the principal amount of the Bonds; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to the Indenture; and provided further that as a result of an optional redemption pursuant to the Indenture, the Reserve Fund Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds redeemed by such optional redemption divided by the total principal amount of the Outstanding Bonds prior to such redemption. As of the Date of Delivery, the Reserve Fund Requirement is \$ _____, which is an amount equal to [125% of average Annual Debt Service on] the Bonds as of the date of issuance.

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee will transfer *first* from the Prepayment and Delinquency Reserve Account of the Reserve Fund (described below) and *second* from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

Whenever Bonds are to be redeemed with the proceeds of Bond Prepayments pursuant to the Indenture, a proportionate amount in the Reserve Account of the Reserve Fund shall be transferred on the business day prior to the redemption date by the Trustee to the Redemption Fund to be applied to the redemption of the Bonds. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to a percentage of the amount of the Bonds redeemed with such percentage equal to the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund, as a percentage of the Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Bond Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Bond Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Prepayment and Delinquency Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds. If, after a Reserve Fund withdrawal, the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, in accordance with the Indenture.

Delinquency and Prepayment Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Prepayment and Delinquency Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee, if amounts are insufficient, will transfer from the Pledged Revenue Fund to the Prepayment and Delinquency Reserve Account on May 1 of each year, commencing May 1, 2020 an amount equal to the Additional Interest. Once the Prepayment and Delinquency Reserve Requirement has accumulated in the Prepayment and Delinquency Reserve Account, all amounts in excess of the Prepayment and Delinquency Reserve Requirement will be transferred by the Trustee to the Redemption Fund to redeem Bonds as provided in the Indenture; provided, however, that at any time the amount on deposit in the Prepayment and Delinquency Reserve Account is less than the Prepayment and Delinquency Reserve Requirement, the Trustee will resume depositing such amounts from the Pledged Revenue Fund into the Prepayment and Delinquency Reserve Account until the Prepayment and Delinquency Reserve Requirement has accumulated in the Prepayment and Delinquency Reserve Account. The Prepayment and Delinquency Reserve Requirement is an amount equal to 5.5% of the principal amount of the Outstanding Bonds. Whenever, on any Interest Payment Date, or on any other date at

the written request of the City Representative, the amount in the Prepayment and Delinquency Reserve Account exceeds the Prepayment and Delinquency Reserve Requirement, the Trustee will provide written notice to the City of the amount of the excess. The amount of such excess on deposit in the Prepayment and Delinquency Reserve Account will be transferred to the Redemption Fund. See “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer *first* from the Prepayment and Delinquency Reserve Account of the Reserve Fund and *second* from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

Administrative Fund

The City has created under the Indenture an Administrative Fund to be held by the Trustee. Immediately upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Annual Installments allocated to the payment of Annual Collection Costs associated with the Bond Assessments, as set forth in the Service and Assessment Plan.

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Order solely for the purposes set forth in the Service and Assessment Plan.

THE ADMINISTRATIVE FUND SHALL NOT BE PART OF THE TRUST ESTATE AND SHALL NOT BE SECURITY FOR THE BONDS.

Defeasance

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide money which, together with any money deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the money or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor money deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; and provided further investments are, at the time made, included in and authorized by the City’s official investment policy as approved by the City Council from time to time. Under current State law, Investment Securities that are authorized for the investment of funds to defease public securities are (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) 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

governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

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 with amounts deposited to defease the Bonds. Because the Indenture does not contractually limit such investments, 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 that for any other Defeasance Security will be maintained at any particular rating category.

Events of Default

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

- (i) the failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (ii) the failure of the City to enforce the collection of the Bond Assessments including the prosecution of foreclosure proceedings;
- (iii) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; provided, however, that the payments are to be made only from Pledged Revenues and the Pledged Revenues must be available to the City to make any such payments; and
- (iv) default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture and the continuation thereof for a period of sixty (60) days after written notice to the City by the Trustee, or by the Owners of at least twenty-five percent (25%) of the aggregate outstanding principal of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least twenty-five percent (25%) of the Bonds at the time Outstanding requesting that the failure be remedied.

Remedies in Event of Default

Upon the happening and continuance of any Event of Default, the Owners of at least twenty-five percent (25%) of the Bonds then Outstanding, may direct the Trustee to proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture by action seeking mandamus or by other suit, action, or special proceeding in equity or at law in any court of competent jurisdiction for any relief to the extent permitted by Applicable Laws including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or will be permitted.

THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to an Event of Default, irrespective of whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem

appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

Restriction on Owner's Actions

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for sixty (60) days after such notice failed or refused to exercise the powers granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right thereunder except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed therein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds, as follows:

- (i) **FIRST:** To the payment to the Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and
- (ii) **SECOND:** To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds, or redemption price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient

to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this section.

The restoration of the City to its prior position after any and all defaults have been cured, as provided in above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Investment or Deposit of Funds

Money in any fund established pursuant to the Indenture will be invested by the Trustee as directed by the City pursuant to a City Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended (the "PFIA"), or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any fund will be available at the proper time or times.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of permitted investments.

Against Encumbrances

Other than bonds issued to refund all or a portion of the Bonds, the City will covenant in the Indenture not to create and, to the extent Pledged Revenues are received, not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, other than that specified in the Indenture, or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

So long as Bonds are Outstanding under the Indenture, the City will not issue any bonds, notes or other evidences of indebtedness other than the Bonds and bonds issued to refund all or a portion of the Bonds secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

Additional Obligations or Other Liens

The City reserves the right to issue additional obligations ("Additional Obligations") under other indentures, assessment ordinances, or similar agreements or other obligations (which obligations may be secured by future assessments levied in accordance with the PID Act) which do not constitute or create a lien on the Trust Estate and are not payable from the Pledged Revenues for payment of the Bonds.

Other than bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds; provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would endanger the security for the Bonds.

SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds:

Sources of Funds:

Principal Amount	\$
TOTAL SOURCES	\$

Use of Funds:

Deposit to Improvement Account of the Project Fund	\$
Deposit to Costs of Issuance Account of the Project Fund	
Deposit to Capitalized Interest Account of the Bond Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to Administrative Fund	
Underwriter's Discount ⁽¹⁾	
TOTAL USES	\$

⁽¹⁾ Includes Underwriter's Counsel's fee of \$_____.

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DEBT SERVICE REQUIREMENTS*

The following table sets forth the anticipated debt service requirements for the Bonds:⁽¹⁾

<u>Period Ending (November 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019			
2020	\$ 25,000		
2021	25,000		
2022	25,000		
2023	25,000		
2024	25,000		
2025	30,000		
2026	40,000		
2027	45,000		
2028	55,000		
2029	60,000		
2030	70,000		
2031	80,000		
2032	90,000		
2033	100,000		
2034	115,000		
2035	125,000		
2036	140,000		
2037	155,000		
2038	170,000		
2039	185,000		
2040	200,000		
2041	220,000		
2042	240,000		
2043	260,000		
2044	280,000		
2045	300,000		
2046	325,000		
2047	350,000		
2048	380,000		
Total	<u>\$4,140,000</u>		

⁽¹⁾ To be updated upon pricing.

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* Preliminary; subject to change

OVERLAPPING TAXES AND DEBT

Pursuant to the Whisper Valley and Indian Hills Annexation and Development Agreement (the “Development Agreement”) effective as of June 18, 2009, by and among the City, the Developer and Club Deal 116 Indian Hills TX, Limited Partnership (the “Indian Hills Developer”), the City has agreed not to annex for full purposes or impose ad valorem taxes on all or a portion of the property in the District until (i) for property within the District for which PID Bonds have been issued to pay for public improvements, or for which the Developer has in good faith requested that the City issue PID Bonds to pay for public improvements, the earlier of (a) the date that all PID Bonds, relating to the portion of the property in the District to be annexed, are paid in full, or (b) forty-four (44) years and six (6) months after the effective date of the Development Agreement, and (ii) for property within the District for which PID Bonds have not been issued to pay for public improvements, or for which the Developer has not in good faith requested that the City issue PID Bonds to pay for public improvements, fifteen (15) years after the effective date of the Development Agreement. The land within Improvement Area #1 has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments.

Overlapping Taxes and Assessments of Bond Assessed Parcels

In addition to the Bond Assessments, it is anticipated that each property owner of a Bond Assessed Parcel in Improvement Area #1 of the District will pay an annual maintenance and operation fee and/or a property owner’s association fee (the “General Owners’ Association Fee”) to Whisper Valley Master Community, Inc. (the “Owners’ Association”), an owners’ association formed by the Developer. Each property owner of a Bond Assessed Parcel in Improvement Area #1 of the District may also be required to pay to the Owners’ Association one or more additional annual maintenance and operation fee (the “Additional Owners’ Association Fee” and together with the General Owners’ Association Fee, the “Owners’ Association Fees”) for the operation and maintenance of any improvements or amenities specific to the property owner’s lot. See “THE DEVELOPMENT — HOA Assessments.” Each property owner of a Bond Assessed Parcel also will be required to pay a monthly geothermal service assessment (the “Geothermal Service Assessment”) to defray the cost of providing geothermal service to a home, including the cost to maintain and repair the geothermal loop system and administrative expenses. See “THE DEVELOPMENT — Utilities – Other Utilities.” Travis County (the “County”), the Del Valle Independent School District (“Del Valle ISD”), the Austin Community College District, the Travis County Healthcare District (d/b/a Central Health) and the Travis County Emergency Services District No. 12 (the “Travis County ESD No. 12”) may each levy ad valorem taxes upon the Bond Assessed Parcels in Improvement Area #1 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities.

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The following table reflects the overlapping ad valorem tax rates currently levied on the Bond Assessed Parcels within Improvement Area #1 of the District.

Overlapping Taxes on Bond Assessed Parcels

<u>Taxing Entity</u>	Tax Year 2018 Ad Valorem Tax Rate ⁽¹⁾
Travis County	\$0.3542
Del Valle Independent School District	1.3900
Austin Community College District	0.1048
Travis County Healthcare District (d/b/a Central Health)	0.1052
Travis County ESD No. 12	0.1000
Total Current Tax Rate	<u>\$2.0542</u>
Estimated Average Annual Installment of Bond Assessments in Improvement Area #1 of the District as a tax rate equivalent ⁽²⁾	<u>\$0.5277</u>

Estimated Total Tax Rate and Average Annual Installment of Bond Assessment in Improvement Area #1 of the District as a tax rate equivalent⁽²⁾ **\$2.5819**

⁽¹⁾ As reported by the taxing entities. Per \$100 of taxable assessed value.

⁽²⁾ Preliminary; subject to change. Derived from estimated home prices as provided in Exhibit U of the 2019 Amended and Restated Service and Assessment Plan and assumes an annual two percent (2%) home value appreciation until final maturity of the Bonds. For each single family residential lot, the Financing Agreement establishes a Maximum Annual Assessment (as defined herein), for the first year of Bond Assessments, as an amount that does not exceed 125% of such lot's estimated buildout value times the City's tax rate in the fiscal year the initial Bond Assessment is determined, which Maximum Annual Assessment for such lot cannot increase by more than two percent (2%) annually. To accommodate the Authorized Denomination amounts, the City has authorized a Maximum Annual Assessment for the first year of Bond Assessments in an amount equal to approximately 132% of each lot's estimated buildout value times the City's current tax rate. See "OVERLAPPING TAXES AND DEBT — Selected Financial Information for Bond Assessment Parcels within Improvement Area #1," "ASSESSMENT PROCEDURES — Assessment Amounts - Assessment Amounts" and "APPENDIX G — Financing Agreement and Form of First Amendment to the Financing Agreement." Does not include Improvement Area #1's allocable share of the outstanding Master Improvement Area Assessments, which were prepaid on March 12, 2019. See "PLAN OF FINANCE — Prior Bond Financings."

Source: Municipal Advisory Council of Texas and the 2019 Amended and Restated Service and Assessment Plan.

Overlapping Debt of Bond Assessed Parcels

As noted above, the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to the Bond Assessed Parcels, as of March 1, 2019, and City debt secured by the Bond Assessments:

Overlapping Debt on Bond Assessed Parcels

<u>Taxing or Assessing Entity</u>	Total Outstanding Debt as of March 1, 2019	Estimated % Applicable ⁽¹⁾	Direct and Estimated Overlapping Debt
The City (The Bond Assessments) ⁽²⁾	\$ 4,140,000	100.0000%	\$4,140,000
Travis County	641,181,179	0.0099%	63,477
Del Valle ISD	192,014,999	0.3086%	592,558
Austin Community College District	418,335,000	0.0085%	35,558
Travis County Healthcare District (d/b/a Central Health)	8,350,000	0.0099%	827
Travis County ESD No. 12	2,149,512 ⁽³⁾	0.8544%	18,365
Total	<u>\$1,266,170,690</u>		<u>\$4,850,786</u>

Ratio of Total Debt to Appraised Value of Bond Assessed Parcels within Improvement Area #1⁽⁴⁾ 21.92%

Ratio of Total Overlapping Debt to Appraised Value of Bond Assessed Parcels within Improvement Area #1⁽⁴⁾ 25.68%

⁽¹⁾ Based on the estimated value of the District as described in the Appraisal or, for the taxing entities, the certified valuations for Tax Year 2018.

⁽²⁾ Preliminary; subject to change. Does not include Improvement Area #1's allocable share of the outstanding Master Improvement Area Assessments, which were prepaid on March 12, 2019. See "PLAN OF FINANCE — Prior Bond Financings."

⁽³⁾ Represents outstanding amount of privately placed loans, as of November 30, 2018. Source: <http://www.tcesd12.com/about-us.htm>

⁽⁴⁾ Based on appraised value of Bond Assessed Parcels within Improvement Area #1 as shown in the Appraisal.

Sources: Travis Central Appraisal District, Municipal Advisory Council of Texas and the Appraisal.

Selected Financial Information for Bond Assessment Parcels within Improvement Area #1

The City has levied the Bond Assessments on the Bond Assessed Parcels, which may be paid in Annual Installments, to pay debt service on the Bonds. The following tables and calculations relate to the Bonds and to single family homes or lots consisting of the Bond Assessed Parcels in Improvement Area #1 as of February 15, 2019.

Selected Financial Information Relating to Single Family Homes on Bond Assessed Parcels ⁽¹⁾

Number of Completed Lots owned by the Developer	45
Number of Completed Lots owned by Homebuilders (no Home Construction)	87 ⁽²⁾
Number of Lots with Homes under Construction owned by Homebuilders	31 ⁽²⁾
Number of Lots with Completed Homes owned by Homebuilders	17 ⁽²⁾
Number of Lots with Completed Homes owned by Individual Homeowners	<u>15</u> ⁽²⁾
Total Number of Lots expected to be subject to Bond Assessments	195
 Average Projected Buildout Value of Lots	 \$54,271 ⁽³⁾
Average Projected Buildout Value of Completed Homes	\$269,301 ⁽³⁾
 Total <i>Projected</i> Bond Assessment Debt	
The Bonds	<u>\$4,140,000</u> ⁽¹⁾
Total	\$4,140,000
 <i>Projected</i> Average Bond Assessment per Lot upon issuance of the Bonds	 \$21,231
<i>Projected</i> Average Bond Assessments value to lien for Finished Lots	12.68 x ⁽³⁾
<i>Projected</i> Average Bond Assessments value to lien for Completed Homes	2.56 x ⁽³⁾
 <i>Projected</i> First Year Annual Installment per Lot upon issuance of the Bonds	 \$1,574 ⁽⁴⁾
 <i>Projected</i> First Year Annual Installments for Finished Lots as tax rate equivalent	 \$2.8972 ⁽³⁾
 <i>Projected</i> First Year Annual Installments for Completed Homes as tax rate equivalent	 \$0.5844 ⁽³⁾⁽⁵⁾
 <i>Projected</i> Average Annual Installment per Lot upon issuance of the Bonds	 \$1,892 ⁽⁴⁾
 <i>Projected</i> Average Annual Installments for Finished Lots as tax rate equivalent	 \$2.6157 ⁽³⁾⁽⁶⁾
 <i>Projected</i> Average Annual Installments for Completed Homes as tax rate equivalent	 \$0.5277 ⁽³⁾⁽⁷⁾

⁽¹⁾ Assumes the Bonds are issued. Preliminary; subject to change.

⁽²⁾ As of February 15, 2019; reported by the Developer.

⁽³⁾ Numbers are based on average projected buildout values per lot and per home in Improvement Area #1 of \$54,271 and \$269,301, respectively. Derived from Exhibit U of the 2019 Amended and Restated Service and Assessment Plan and the Appraisal.

⁽⁴⁾ Inclusive of the Additional Interest for the Delinquency and Prepayment Reserve Account, and the currently budgeted Annual Collection Costs per year.

⁽⁵⁾ Preliminary; subject to change. For each single family residential lot, the Financing Agreement establishes a Maximum Annual Assessment, for the first year of Bond Assessments, as an amount that does not exceed 125% of such lot's estimated buildout value times the City's tax rate in the fiscal year the initial Bond Assessment is determined, which Maximum Annual Assessment for such lot cannot increase by more than two percent (2%) annually. To accommodate the Authorized Denomination amounts, the City has authorized a Maximum Annual Assessment for the first year of Bond Assessments in an amount equal to approximately 132% of each lot's estimated buildout value times the City's current tax rate. See "ASSESSMENT PROCEDURES — Assessment Amounts - Assessment Amounts" and "APPENDIX G — Financing Agreement and Form of First Amendment to the Financing Agreement."

⁽⁶⁾ Preliminary; subject to change. Assumes an annual two percent (2%) lot value appreciation until final maturity of the Bonds

⁽⁷⁾ Preliminary; subject to change. Assumes an annual two percent (2%) appreciation in the home values provided in Exhibit U of the 2019 Amended and Restated Service and Assessment Plan.

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ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meaning given to such terms in the 2019 Amended and Restated Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area #1 Improvements through Bond Assessments, it must adopt a resolution generally describing the Improvement Area #1 Improvements and the land within Improvement Area #1 of the District to be subject to Bond Assessments to pay the costs therefor. The City has caused assessment rolls to be prepared (the “Assessment Rolls,” which consists of the “Bond Assessment Roll” and the “Reimbursement Assessment Roll”), which Assessment Rolls show the land within Improvement Area #1 assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of annual installments in which the Assessment is divided. The Assessment Rolls were filed with the City Clerk and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #1 Improvements and funding the same with Bond Assessments. The City levied the Bond Assessments and adopted the Assessment Ordinance on August 23, 2018, which actions were ratified and confirmed by the City Council on February 7, 2019. Upon adoption of the Assessment Ordinance, the Bond Assessments became legal, valid and binding liens upon the property against which the Bond Assessments are made.

Under the PID Act, the costs of Improvement Area #1 Improvements to be defrayed through Bond Assessments may be assessed by the City against the Bond Assessed Parcels in Improvement Area #1 of the District so long as the special benefit conferred upon the Bond Assessed Parcels by the Improvement Area #1 Improvements equals or exceeds the Bond Assessments. The costs of the Improvement Area #1 Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on Assessed Properties (as defined herein) similarly benefited. The allocation of benefits and assessments to the benefitted land within Improvement Area #1 of the District is presented in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Assessment Methodology

The Service and Assessment Plan describes the special benefit received by each Bond Assessed Parcel as a result of the Improvement Area #1 Improvements, provides the basis and justification for the determination that such special benefit exceeds the Bond Assessments levied, and establishes the methodology by which the City allocated the special benefit of the Improvement Area #1 Improvements to Bond Assessed Parcels in a manner that resulted in equal shares of costs being apportioned to Bond Assessed Parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #1 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Bond Assessments.

As set forth in the Service and Assessment Plan, the benefits received by the Improvement Area #1 Improvements were spread among the benefitted parcels (the “Assessed Property”) based on the ratio of the estimated build out value of each residential lot type to the total estimated build out value for all residential lots within Improvement Area #1. As lots are subsequently divided, the Assessments will be further apportioned based on the ratio of the estimated build out values of the newly created lots.

The City has determined that allocating the Bond Assessments to the Bond Assessed Parcels based on the estimated average build out value of each residential lot will result in the imposition of equal shares of the Bond Assessments on lots similarly situated. The Assessments and the respective interest thereon are expected to be paid in annual installments as described in the Service and Assessment Plan (the “Annual Installments”). As defined in the Service and Assessment Plan, with respect to each Bond Assessed Parcel, an Annual Installment consists of: (i) the Bond Assessments as shown on the Bond Assessment Roll, (ii) Annual Collection Costs, and (iii) the Additional Interest. As defined in the Service and Assessment Plan, with respect to each Reimbursement Assessed Parcel, an Annual Installment consists of: (i) the Reimbursement Assessments as shown on the Reimbursement Assessment Roll, and (ii) Annual Collection Costs. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and

governmental powers and is conclusive and binding on the Developer and all future owners within Improvement Area #1. See “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Collection and Enforcement of Bond Assessment Amounts

This section is a summary of collection and enforcement of Bond Assessment Amounts only and is not intended to cover the collection and enforcement of Reimbursement Assessment amounts. For further discussion of the Reimbursement Assessments see “THE DEVELOPMENT — The Reimbursement Agreement” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Under the PID Act, the Annual Installments of Bond Assessments may be collected in the same manner and at the same time as regular ad valorem taxes of the City. The Bond Assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Bond Assessments incur interest, penalties and attorney’s fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Bond Assessment Lien is a first and prior lien against all of the Bond Assessed Parcels within Improvement Area #1, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See “BONDHOLDERS’ RISKS — Assessment Limitations” herein.

The City will covenant in the Indenture to collect, or cause to be collected, Bond Assessments as provided in the Assessment Ordinance. No less frequently than annually, City staff or a designee of the City shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include updated Assessment Rolls and a calculation of the Annual Installment for each Parcel. Annual Collection Costs shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

The City will covenant, agree and warrant in the Indenture that, for so long as any Bonds are Outstanding, that it will take and pursue all actions permissible under Applicable Laws to cause the Bond Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Bond Assessments.

To the extent permitted by law, notice of the Annual Installments of Bond Assessments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

The City will determine or cause to be determined, no later than March 10 of each year, whether or not any Annual Installment related to a Bond Assessment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment of a Bond Assessment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment of Bond Assessment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of a delinquent Bond Assessment or the corresponding Bond Assessed Parcel.

The City has implemented the basic timeline and procedures for Bond Assessment collections and pursuit of delinquencies set forth in Exhibit C of the Continuing Disclosure Agreement of the Issuer set forth in APPENDIX E-1 and to comply therewith to the extent that the City reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Bond Assessments.

The City shall not be required under any circumstances to expend any funds for delinquent collection costs relating to the Bond Assessments, in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments of Bond Assessments will be paid to the City or its agent. Annual Installments of Bond Assessments are due when billed on or about October 1 each year and become delinquent on February 1 of the following year. In the event Bond Assessments are not timely paid, there are penalties and interest as set forth below:

<u>Date Payment</u>	<u>Cumulative</u>	<u>Cumulative</u>	
<u>Received</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at twelve percent (12%), and interest increases at the rate of one percent (1%) each month. In addition, if an account is delinquent in July, a twenty percent (20%) attorney's collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most cases, post-petition Bond Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Assessment Amounts

Assessment Amounts. The amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan. The Assessment Rolls set forth for each year the Annual Installment for each Parcel. The Annual Installments for Improvement Area #1 may not exceed the amounts shown on the Assessment Rolls. The Assessments have been levied against the parcels comprising the Assessed Property in Improvement Area #1 as indicated on the Assessment Rolls. See "APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan."

Pursuant to the Financing Agreement, the City has established a maximum Assessment (the "Maximum Annual Assessment") for each parcel based on Lot Type. Under the Financing Agreement, the Maximum Annual Assessment for the first year the Assessments are levied is an amount that does not exceed 125% of the particular Lot Type's anticipated buildout value (as determined by a feasibility and market study analysis) times the City's tax rate in the fiscal year the Assessment is determined. For each subsequent year, the Maximum Annual Assessment for a particular Lot cannot increase by more than two percent (2%) annually. To accommodate the Authorized Denomination amounts, the City has authorized a Maximum Annual Assessment for the first year of Assessments in an amount equal to approximately 132%* of each lot's estimated buildout value times the City's current tax rate. See "APPENDIX G — Financing Agreement and Form of First Amendment to the Financing Agreement."

The Annual Installments of Bond Assessments shown on the Bond Assessment Roll will be reduced to equal the actual costs of repaying the Bonds, the Additional Interest and actual Annual Collection Costs, relating to the Bond Assessments (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The Annual Installments of Reimbursement Assessments shown on the Reimbursement Assessment Roll will be reduced to equal the actual costs of paying amounts owed under the Reimbursement Agreement and actual Annual Collection Costs, relating to the Reimbursement Assessments (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be allocated to the Assessed Properties according to estimated buildout value per residential lot type. If an Assessed Property is divided, the Assessment of such Assessed Property before the division shall be reallocated to the newly created Assessed Properties by City staff or by a third party consultant

* Preliminary; subject to change.

contracted by the City to administer the PID (the “PID Administrator”) (and approved by the City Council in the next Annual Service Plan Update) based on the ratio of estimated build out value of each Assessed Property to estimated build out value of all newly-created Assessed Properties. If the division is by a recorded subdivision plat, the Assessment of such Parcel before the division shall be reallocated to the newly created Lots by the PID Administrator (and approved by the City Council in the next Annual Service Plan Update) based on the ratio of estimated average build out value of each Lot Type to the estimated average build out value of all newly-created Lots. See “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.” The Assessments are allocated as follows:

Assessment Allocation by Single Family Lot Type in Improvement Area #1⁽¹⁾

<u>Lot Type</u>	<u>Number of Lots</u>	<u>Projected Average Buildout Value per Home⁽²⁾</u>	<u>Assessment Per Lot</u>	<u>Total Assessments</u>	<u>Average Annual Installments per Lot⁽³⁾</u>	<u>Average Equivalent Tax Rate per \$100 AV⁽⁴⁾</u>
Lot Type 2 (25')	27	\$158,710	\$12,512	\$ 337,827	\$1,115	\$0.5277
Lot Type 3 (35')	12	210,000	16,556	198,668	1,475	0.5277
Lot Type 4 (50')	100	260,000	20,498	2,049,751	1,826	0.5277
Lot Type 5 (60')	98	304,804	24,030	2,354,909	2,141	0.5277
Total⁽⁵⁾	237			\$4,941,155		

- (1) Preliminary; subject to change. Derived from information obtained from the 2019 Amended and Restated Service and Assessment Plan, and from lot counts and values provided by the Developer.
- (2) Derived from Exhibit U of the 2019 Amended and Restated Service and Assessment Plan.
- (3) Preliminary; subject to change. Based on the period from 2019 through 2048.
- (4) Assumes an annual two percent (2%) appreciation in the home values provided in Exhibit U of the 2019 Amended and Restated Service and Assessment Plan.
- (5) Totals may not add due to rounding.

Lien to Value Analysis, Assessment Allocation, Equivalent Tax Rate and Leverage per Lot Type⁽¹⁾

<u>Lot Type</u>	<u>Number of Lots</u>	<u>Projected Average Buildout Value Per Lot⁽²⁾</u>	<u>Projected Average Buildout Value per Home⁽³⁾</u>	<u>Assessment Per Lot</u>	<u>Average Annual Installments per Lot⁽⁴⁾</u>	<u>Ratio of Lot Value to Assessment</u>	<u>Ratio of Home Value to Assessment</u>
Lot Type 2 (25')	27	\$33,150	\$158,710	\$12,512	\$1,115	2.65:1	12.68:1
Lot Type 3 (35')	12	40,555	210,000	16,556	1,475	2.45:1	12.68:1
Lot Type 4 (50')	100	51,500	260,000	20,498	1,826	2.51:1	12.68:1
Lot Type 5 (60')	98	61,800	304,804	24,030	2,141	2.57:1	12.68:1
Total	237						

- (1) Preliminary; subject to change. Derived from information obtained from the 2019 Amended and Restated Service and Assessment Plan, and from lot counts and values provided by the Developer.
- (2) Derived from information obtained from the Appraisal and from Development Planning and Financing Group, Inc.
- (3) Derived from Exhibit U of the 2019 Amended and Restated Service and Assessment Plan.
- (4) Preliminary; subject to change. Based on the period from 2019 through 2048.

The Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Bond Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Prepayment of Assessments

Voluntary Prepayments. Pursuant to the PID Act, the Service and Assessment Plan and the Indenture, the owner of any Bond Assessed Parcel or Reimbursement Assessment Parcel may voluntarily prepay all or part of any Bond Assessment or Reimbursement Assessment, respectively, levied against the respective Lot or Parcel, together with accrued interest to the date of payment, at any time (a “Bond Prepayment” or “Reimbursement Prepayment,” respectively, and together a “Prepayment”). Upon receipt of such Bond Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Upon receipt of such Reimbursement Prepayment, such amounts will be used to pay amounts owed pursuant to the terms of the Reimbursement Agreement. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

Mandatory Prepayments. If (i) Assessed Property is transferred to a party that is exempt from the payment of the Assessment under applicable law, or (ii) an owner of Assessed Property causes the Assessed Property to become Non-Benefited Property, the owner of such Assessed Property shall pay to the City the full amount of the Assessment, plus all Prepayment Costs and Delinquent Collection Costs, if any, prior to any such transfer or act, in accordance with the Service and Assessment Plan; provided, however, that such mandatory prepayment of Assessments shall not be required for portions of a Parcel that are dedicated for use as internal roads, parks and other similar public improvements. At the time such public improvements are dedicated, the Assessment that was allocated to that certain Parcel in which the public improvement was located will be reallocated to similarly benefitted Parcels; provided, however, that reallocation of an Assessment for a Parcel that is a homestead under State law may not exceed the Assessment prior to reallocation.

Reduction of Assessments

If after all Improvement Area #1 Improvements have been completed and the Actual Costs for the Improvement Area #1 Improvements are less than the costs used to calculate the Assessments, then the City may reduce the Assessment for each Parcel pro rata such that the sum of the resulting reduced Assessments for all Parcels equals the reduced Actual Costs. Additionally, if the City does not undertake some of the Improvement Area #1 Improvements, the City may, at its discretion, reduce the Assessment for each Parcel pro rata to reflect only the Actual Costs that were expended. The Bond Assessments shall not, however, be reduced to an amount less than the applicable outstanding Bonds. Notwithstanding the foregoing, any reductions in Assessments shall be pro rata for each Parcel.

Priority of Lien

The Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the Assessed Property within Improvement Area #1 (the "Assessment Lien"), superior to all other liens and claims except liens or claims for the State, county, school districts or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the Assessment Ordinance until the Assessment is paid and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any property assessed may pay the entire Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time.

Foreclosure Proceedings

In the event of delinquency in the payment of any Annual Installment of a Bond Assessment, except for unpaid Bond Assessments on homestead property (unless the lien associated with the assessment attached prior to the date the property became a homestead), the City is empowered to order institution of an action in state district court to foreclose the lien of such delinquent Annual Installment of a Bond Assessment. In such action the real property subject to the delinquent Annual Installment of a Bond Assessment may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments of Bond Assessments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of a Bond Assessment will be subject to the lien established for remaining unpaid installments of the Bond Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Bond Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary on a Bond Assessed Parcel subject to a Bond Assessment, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent Bond Assessment on the corresponding Bond Assessed Parcel.

As of August 23, 2018, the date the Assessments were levied and the Assessment Lien became effective, 42 parcels within Improvement Area #1 were sold to third-party homeowners. These homeowners may have the ability to claim homestead rights under State law, which, if claimed, prohibits these properties from being foreclosed for

purposes of collecting the Reimbursement Assessments. **The revenues from the Reimbursement Assessments do not constitute security for the Bonds and are not part of the Pledged Revenues.** See “SECURITY FOR THE BONDS — Pledged Revenues” and “— Pledged Revenue Fund.”

The City will covenant in the Indenture to take and pursue all actions permissible under Applicable Laws to cause the Bond Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Bond Assessments, provided that the City is not required to expend any funds for collection and enforcement of Bond Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX B — Form of Indenture.” See also “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer” for a description of the expected timing of certain events with respect to collection of the delinquent Bond Assessments.

The City will not be obligated to fund foreclosure proceedings relating to Bond Assessed Parcels out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November of 2012, the configuration of the City Council has changed from a seven-member council, comprised of a Mayor and six council members elected at large, to an eleven-member council, with the Mayor elected at large, and the remaining members elected from ten single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014. See “APPENDIX A — General Information Regarding the City – General Information.”

By charter, the City Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the City. The duties include, among others, the supervision of all City departments, the preparation and administration of an annual budget and the preparation of a report on the finances and administrative activities of the City.

City Manager – Spencer Cronk. Mr. Spencer Cronk joined the City as City Manager on February 12, 2018. Before joining the City of Austin, Mr. Cronk was Minneapolis City Coordinator (City Administrator). He directed the management of Minneapolis city government by assisting the Mayor and City Council in defining City policy and establishing priorities, mobilizing department heads and staff to implement the Mayor and Council’s priorities, and working to strengthen the management and administrative systems of the City. Mr. Cronk previously served as Commissioner of the Minnesota Department of Administration, a role he was appointed to by Governor Mark Dayton in 2011. As Commissioner, Mr. Cronk led the state’s real property, purchasing, fleet, demographic analysis and risk management divisions responsible for more than \$2 billion in State purchasing and the historic renovation of the Minnesota State Capitol. Additionally, Mr. Cronk also served as chair of the Minnesota Public Data Governance Advisory Committee, and as a member of the Environmental Quality Board and the Minnesota Indian Affairs Council. Before joining the State of Minnesota, Mr. Cronk served as executive director of organizational development and senior advisor for the Department of Small Business Services for the City of New York, under former Mayor Michael Bloomberg. His accomplishments there included the design and implementation of a comprehensive performance-management system and the development of a program for integrating new employees, which was used citywide as a best practice template for the City of New York’s 300,000 employees. Mr. Cronk has served a number of community organizations and agencies, including as an Advisory Council member for Northern Spark, a member of the Minnesota Advisory Board of the Trust for Public Land, and a member of the Itasca Project Task Force on Socioeconomic Disparities in the Twin Cities. He was a recipient of the Minneapolis/St. Paul Business Journal’s “40 Under 40” Award in 2013. Mr. Cronk received his bachelor’s degree with honors from the University of Wisconsin– Madison. He is a

graduate of Harvard University's Senior Executives in State and Local Government Program and was a Public Affairs Fellow with the Coro New York Leadership Center.

Deputy City Manager/Chief Financial Officer – Elaine Hart, CPA. Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Effective upon the adoption of the City's fiscal year 2019 budget, Ms. Hart became Deputy City Manager. Her career with the City spans more than 20 years, including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President of Finance and Corporate Services for Austin Energy, the municipally-owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City's Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

Deputy Chief Financial Officer – Greg Canally. Mr. Greg Canally is the Deputy Chief Financial Officer for the City of Austin over the Treasury Office, Purchasing Office & Capital Contract Office, and worked as the Finance lead on economic development, transportation initiatives, facility master planning, and a variety of information technology issues for the City. Mr. Canally has been with the City of Austin for 18 years, entirely in the Finance Department. From 2004 through 2008, he was the City's Budget Officer. He is a past member of Government Finance Officers Association's Committee on Economic Development and Capital Planning. Prior to his work in municipal government, Mr. Canally worked as a project manager/economist for HDR Engineering, working with all levels of government to implement Water Planning solutions in Texas. Mr. Canally holds a Bachelor of Science in Economics from Villanova University and a Master of Science in Economics from the University of Texas at Austin.

See "APPENDIX A — General Information Regarding the City" for more information.

THE DISTRICT

General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the City in accordance with the PID Act by City of Austin Resolution No. 20100826-026 (the "Creation Resolution") for the purpose of, among others, funding the Improvement Area #1 Improvements. The District is not a separate political subdivision of the State of Texas and is governed by the City Council. The District has been annexed for limited purposes and is located within the extraterritorial jurisdiction of the City and contains approximately 2,066 acres of land, and Improvement Area #1 contains approximately 80 acres of which approximately 54 acres is subject to Assessments. Maps of the property within Improvement Area #1 and the District are included on pages v and vi hereof. See "APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan."

Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake or reimburse a property owner or developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The PID Act provides that the City may levy and collect Assessments on property in Improvement Area #1 of the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a property owner or developer for the costs of the financing, acquisition, construction or improvement of the Improvement Area #1 Improvements. See "THE IMPROVEMENT AREA #1 IMPROVEMENTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction and acquisition, if applicable, of certain water, wastewater, drainage, and roadway public improvements within the District comprising the Improvement Area #1 Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds

through Pledged Revenues. See “SECURITY FOR THE BONDS — Pledged Revenues,” “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

Collection and Delinquency History of Master Improvement Area Assessments

On November 3, 2011, the City levied the Master Improvement Area Assessments on assessable property in the District, including Improvement Area #1, through the City Council’s adoption of an assessment ordinance and approval of the Service and Assessment Plan. Upon such adoption, the Master Improvement Area Assessments became legal, valid and binding liens upon the property against which the Master Improvement Area Assessments are made.

The annual installments of Master Improvement Area Assessments relating to the Senior Master Improvement Bonds are due and payable on or before January 31 of each year, commencing on January 31, 2012. On March 12, 2019, provisions were made for the payment of the total outstanding Master Improvement Area Assessments allocable to Improvement Area #1. Such provisions include (i) a prepayment of Master Improvement Area Assessments allocable to Improvement Area #1 and (ii) transfers of funds from the prepayment reserve account and the reserve account of the reserve fund established under the indenture applicable to the Senior Master Improvement Bonds. As a result of such prepayment, the land within Improvement Area #1 will no longer be subject to the Master Improvement Area Assessments. The following table shows the collection and delinquency history of the Master Improvement Area Assessments relating to the Senior Master Improvement Bonds.

Collection and Delinquency of Master Improvement Area Assessments Relating to the Senior Master Improvement Bonds⁽¹⁾

<u>Assessments Due 1/31</u>	<u>Annual Installments</u>	<u>Parcels Levied</u>	<u>Delinquent Amount as of 3/1</u>	<u>Delinquent Percentage as of 3/1</u>	<u>Delinquent Amount as of 9/1</u>	<u>Delinquent Percentage as of 9/1</u>	<u>Annual Installments Collected⁽²⁾</u>
2015	\$1,859,960	10	-	-	-	-	\$1,859,960
2016	1,630,896	9	-	-	-	-	1,630,896
2017	1,740,561	24	-	-	-	-	1,740,561
2018	2,111,881	246	-	-	-	-	2,111,881
2019	1,967,271	246	\$419	0.02%	-	N/A	1,966,852 ⁽³⁾

⁽¹⁾ The interest payment dates for the Senior Master Improvement Bonds are each March 1 and September 1, which differs from the Interest Payment Dates for the Bonds of each May 1 and November 1.

⁽²⁾ Excludes penalties and interest.

⁽³⁾ Collection history as of March 1, 2019

THE COLLECTION AND DELINQUENCY HISTORY OF THE MASTER IMPROVEMENT AREA ASSESSMENTS RELATING TO THE SENIOR MASTER IMPROVEMENT BONDS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY; NO ASSURANCE CAN BE GIVEN THAT THE COLLECTION OF THE ASSESSMENTS WILL MIRROR THE COLLECTION HISTORY OF THE MASTER IMPROVEMENT AREA ASSESSMENTS RELATING TO THE SENIOR MASTER IMPROVEMENT BONDS. THE MASTER IMPROVEMENT AREA ASSESSMENTS ARE NOT SECURITY FOR THE PAYMENT OF THE BONDS.

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The following table shows the collection and delinquency history of the Master Improvement Area Assessments relating to the Subordinate Master Improvement Bonds. The Subordinate Master Improvement Bonds are no longer outstanding.

**Collection and Delinquency of Master Improvement Area Assessments
Relating to the Subordinate Master Improvement Bonds⁽¹⁾**

Assessments <u>Due 7/1</u>	Annual <u>Installments</u>	Parcels <u>Levied</u>	Delinquent Amount <u>as of 9/1</u>	Delinquent Percentage <u>as of 9/1</u>	Annual Installments <u>Collected⁽²⁾</u>
2015 ⁽³⁾	\$ 6,090,000	10	\$6,090,000	100%	\$ 6,090,000
2016 ⁽⁴⁾	14,958,154	9	-	-	14,958,154

(1) The interest payment dates for the Subordinate Master Improvement Bonds were each December 1 and June 1, which differed from the Interest Payment Dates for the Bonds of each May 1 and November 1.

(2) Excludes penalties and interest.

(3) The 2011 Service and Assessment Plan provided a due date of November 1, 2015 for the initial annual installment. The 2015 assessment roll for the Master Improvement Area Assessments, adopted by the City Council on December 22, 2014, modified the due date for the initial annual installment to July 1, 2015. The only landowner responsible for the payment of the Master Improvement Area Assessments was the Developer. The Developer made a partial payment of the initial annual installment on October 29, 2015, which amount was sufficient to pay debt service due on December 1, 2015.

(4) The 2011 Service and Assessment Plan provided a due date of November 1, 2016 for the second and final annual installment. The 2016 assessment roll for the Master Improvement Area Assessments, adopted by the City Council on December 17, 2015, modified the due date for the second annual installment to July 1, 2016.

THE COLLECTION AND DELINQUENCY HISTORY OF THE MASTER IMPROVEMENT AREA ASSESSMENTS RELATING TO THE SUBORDINATE MASTER IMPROVEMENT BONDS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY; NO ASSURANCE CAN BE GIVEN THAT THE COLLECTION OF THE ASSESSMENTS WILL MIRROR THE COLLECTION HISTORY OF THE MASTER IMPROVEMENT AREA ASSESSMENTS RELATING TO THE SUBORDINATE MASTER IMPROVEMENT BONDS. THE MASTER IMPROVEMENT AREA ASSESSMENTS ARE NOT SECURITY FOR THE PAYMENT OF THE BONDS.

THE IMPROVEMENT AREA #1 IMPROVEMENTS

General

A portion of the cost of the Improvement Area #1 Improvements will be funded with the proceeds of the Bonds. The Developer has completed construction of the Improvement Area #1 Improvements and the Improvement Area #1 Improvements have been dedicated to either the City or the County. From the proceeds of the Bonds, the City will reimburse the Developer for a portion of the project costs actually incurred in developing and constructing the Improvement Area #1 Improvements within or serving Improvement Area #1 of the District.

Development Plan

The current development plan for the Authorized Improvements is divided into two major stages, consisting of the construction of the Master Improvement Area Improvements followed by development of the Improvement Areas. See “THE DEVELOPMENT — Development Plan” and “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.” The Developer has completed construction of all the Master Improvement Area Improvements and the Improvement Area #1 Improvements, as described below. The Developer is currently constructing the internal infrastructure benefitting Improvement Area #2 (the “Improvement Area #2 Improvements”). The Developer expects that the construction of the Future Improvements for Future Improvement Area #3 will occur after the construction of the Improvement Area #2 Improvements.

Improvement Area #1 Improvements

Erosion and Sedimentation Control. The erosion and sedimentation controls (E&S) installed for this site work consist of silt fence, inlet protection, tree protection, stabilized construction entrance, rip rap, and revegetation required to control sedimentation run-off from the site during site development and prevent erosion prior to

construction of Improvement Area #1. The E&S controls will be installed according to the City standards, determined in the City's sole discretion.

Clearing and Grading. The clearing and grading improvements consist of site clearing, soil remediation, grading within the right of way (ROW) for the installation of the internal roadway system, and for the installation of utilities and drainage controls outside of the ROW in order to serve Improvement Area #1.

Drainage Improvements. The drainage improvements ("Drainage Improvements") consist of the construction and installation of storm sewer pipe, manholes and junction boxes, headwalls, drainage inlets and appurtenances necessary for the storm system that will service all of Improvement Area #1.

Street Improvements. The street improvements ("Street Improvements") consist of installing lime treated sub-base, flexible base course, surface course, curb and gutters and sidewalks along non-frontage lots that will provide the basis of the roadway system within Improvement Area #1.

Potable Water Improvements. The potable water improvements ("Water Improvements") consist of the construction and installation of water mains, domestic service connections, valves, fire hydrants and appurtenances, necessary for the water distribution system that will service all of Improvement Area #1.

Wastewater Improvements. The wastewater improvements ("Wastewater Improvements") consist of construction and installation of wastewater mains, domestic service connections, manholes and appurtenances necessary to provide sanitary sewer service to all of Improvement Area #1.

Demolition and Restoration. The demolition and restoration ("Demolition") for the site consist of tree removal to clear the site for the development of Improvement Area #1.

Pond Improvements. The pond improvements ("Pond Improvements") consist of installing two (2) detention and water quality ponds which include establishing revegetation, storm headwalls and box culverts, maintenance access paths and make-up water sources necessary to support the Improvement Area #1 drainage infrastructure system.

Costs of Improvement Area #1 Improvements

The City will pay projects costs for an Improvement Area #1 Improvement (or completed segment or phase) upon approval of a Certification of Payment pursuant to the Reimbursement Agreement or Financing Agreement, as applicable. The Developer will be paid for costs actually incurred in developing and constructing the Improvement Area #1 Improvements upon completion of such projects and dedication to, and acceptance by the City or County (as applicable). See "SECURITY FOR THE BONDS — Project Fund" and "THE DEVELOPMENT — Financing Agreement" and "— Reimbursement Agreement."

The following table reflects the actual costs of the Improvement Area #1 Improvements.

<u>Improvement Area #1 Improvements Actual Costs⁽¹⁾</u>	
<u>Type of Improvement</u>	<u>Total Cost</u>
Erosion and Sedimentation Control	\$ 802,773
Clearing and Grading	543,220
Drainage Improvements	1,126,764
Street Improvements	1,577,458
Potable Water Improvements	993,770
Wastewater Improvements	834,535
Demolition and Restoration	14,300
Pond Improvements	482,028
<u>Total</u>	<u>\$6,374,848</u>

⁽¹⁾ Does not include approximately \$942,320* in costs related to the issuance of the Bonds.

* Preliminary; subject to change.

The actual costs of the Improvement Area #1 Improvements are based on information provided by the Developer and its engineer and reviewed by the City staff and by third-party consultants retained by the City and were approved by the City Council as part of the 2018 Addendum to Service and Assessment Plan. See “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

The cost of all the Improvement Area #1 Improvements (excluding costs of issuance of the Bonds) is expected to be approximately \$6,374,848. Only a portion of the costs of the Improvement Area #1 Improvements, in the approximate amount of \$3,197,680*, is expected to be paid with proceeds of the Bonds. The balance of the costs of the Improvement Area #1 Improvements, in the amount of \$3,177,168* was financed by the Developer with funds invested in the construction of the Improvement Area #1 Improvements, which a portion of such funds will be reimbursed by the City with proceeds of the Reimbursement Assessments, pursuant to the Reimbursement Agreement. See “PLAN OF FINANCE — Development Plan,” “SOURCES AND USES OF FUNDS” and “THE DEVELOPMENT — Reimbursement Agreement.”

The Appraisal (as defined below) estimates that the 195 vacant, improved and partially improved single family residential lots representing the Bond Assessed Parcels within Improvement Area #1 is \$18,888,925. See “APPRAISAL OF BOND ASSESSED PARCELS.” Based on value of the property provided in the Appraisal and the principal amount of the Bonds, the ratio of the value to lien across the Bond Assessed Parcels is approximately 4.56:1*. The Appraisal is attached hereto as APPENDIX F and should be read in its entirety in order to understand the meaning and basis of the information set forth therein. The Appraisal is addressed to the City and the Underwriter. The estimates of value presented in the Appraisal are no indication of the appraised property’s actual market value. Investors should not assume that the disposition of the lots in the appraised property, consisting of the Bond Assessed Parcels within Improvement Area #1 in the event of default would provide sufficient funds to pay the principal of Bonds outstanding at that time. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth in the Appraisal. See “APPRAISAL OF BOND ASSESSED PARCELS” for further information regarding the Appraisal, including with respect to such assumptions, hypothetical conditions and qualifications.

Ownership and Maintenance of Improvement Area #1 Improvements

The Improvement Area #1 Improvements have been dedicated to and accepted by the City or the County and will constitute a portion of either the City’s or the County’s infrastructure improvements, as applicable. The City or the County will provide for the ongoing maintenance and repair of their respective Improvement Area #1 Improvements.

THE DEVELOPMENT

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

Overview

The Development is located in the limited purpose annexation and extraterritorial jurisdiction of the City. The boundaries of the Development are coterminous with the District as described in “THE DISTRICT.” The Development contains approximately 2,066 acres, of which approximately 1,429 is planned to be developed as a master-planned residential community with supporting retail and office/commercial components as further described below. A boundary map of the Development is included on page vi.

The Development is located on the east side of SH-130, at FM 973, and south of US-290 East in east central Travis County. The east boundary of the parent tract has over 9,400 feet of frontage along the west side of Taylor Lane and over 2,900 feet of frontage on Taylor Lane’s east side. The northeast section is isolated from the main tract by Taylor Lane. There is access from Wells Trace near the tract’s southwest corner. Wells Trace is a two-lane residential street that connects the tract’s south boundary to Nez Pierce Road and Decker Lake Road. Decker Lake

* Preliminary; subject to change.

Road in this area is a secondary local access road and the section from Nez Pierce to Taylor Lane is actually a dirt path.

Development Plan

The Development. In 2006, the Developer acquired the property comprising the District with the plan to develop it as a master-planned mixed-use community. The property constituting the Development was purchased by the Developer with cash in two pieces in August and December 2006. The total acquisition price was \$28,550,000. At the time, the land was in its current raw state with no improvements or infrastructure. To date the Developer has invested substantial additional funds to achieve the limited purpose annexation, Planned Unit Development (“PUD”) zoning entitlements, and creation of the District and construction of the Master Improvement Area Improvements, the Improvement Area #1 Improvements and the Improvement Area #2 Improvements.

At completion, the Development is expected to consist of approximately 5,018 single family residential units, of which approximately 3,793 will be detached single family residential units and approximately 1,225 will be attached single family residential units, 2,482 multifamily units, 217.3 acres of commercial development, and 38 acres of mixed-use development. The Development will also contain approximately 700 acres of open space/parkland. It is anticipated that the Development will include various yet-to-be determined civic uses including schools, fire stations, libraries, as well as parks, entry monuments, associated rights-of-way, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities and a transportation node in connection with the Capital Area Metropolitan Planning Organization’s regional active transportation plan. The current development plan is divided into two major steps, “macro-structure” development followed by “micro-structure,” or development of the individual Improvement Areas.

Macro-structure. The macro-structure development consists of the Master Improvement Area Improvements necessary to serve the entire District, including the construction of necessary water lines, a wastewater treatment plant and associated interceptor line, and the first phase of the primary arterial road Braker Lane, which includes two lanes of what will be a four-lane divided median road from FM973 to Petrichor Boulevard. The proceeds of the Master Improvement Area Senior Bonds and the Master Improvement Area Subordinate Bonds were used to reimburse the Developer for a portion of the costs of the Master Improvement Area Improvements. See “APPENDIX C — Form of 2019 Amended and Restated Service and Assessment Plan.”

The Developer began construction of the Master Improvement Area Improvements in November of 2011 and completed the construction of all of the Master Improvement Area Improvements in early 2018.

Micro-structure. The Developer anticipates that the District will be divided into approximately seven Villages and that each Village will consist of several phases, with approximately 600 – 700 lots within each Village. The Developer expects that the phases will further be developed as separate Future Improvement Areas and that the micro-structure development of such Future Improvement Areas will occur based on market demand and will consist of certain internal public improvements, including local streets, water, wastewater, drainage structures and landscaping, that benefit each individual Future Improvement Area.

The Developer began the phased development in November of 2014 with the construction of the Improvement Area #1 Improvements benefitting Improvement Area #1. The Developer has completed all the Improvement Area #1 Improvements, which have been accepted by either the City or the County, as applicable. The Developer began construction of the Improvement Area #2 Improvements benefitting Improvement Area #2 in February of 2019. The Developer anticipates that the development of the remaining Villages and Future Improvement Areas therein will continue through 2034. The Developer currently has preliminary concept plans for construction of phases 3 and 4, which may either be developed as one or two separate Future Improvement Areas. Additionally, the Developer has begun the entitlement process for construction of phase 6.

The Developer anticipates that Future Improvements will be financed by private developers and Phased Bonds expected to be issued by the City and secured by additional assessments levied and collected in connection therewith. The Developer anticipates that Phased Bonds will need to be issued over a 15-year period. The total cost of the infrastructure improvements is forecasted to be approximately \$270 million.

Improvement Area #1 includes approximately 54 acres subject to the Assessments, which is expected to consist of 237 single family residential units. Improvement Area #2 includes approximately 54 acres and is anticipated to consist of approximately 267 single family residential units. The Developer anticipates that the Future Improvement Areas will consist of the remaining 6,996 housing units along with mixed-use and commercial development. Of the 5,018 anticipated single family residential units, the Developer expects to include five different product types: 20' Lots ("Lot Type 1"), which will consist of detached single family units, 25' Lots ("Lot Type 2"), which will consist of attached single family units, 35' Lots ("Lot Type 3"), 50' Lots ("Lot Type 4") and 60' Lots ("Lot Type 5"), all of which will consist of detached single family units.

The actual and estimated number of single family residential units within Improvement Area #1, Improvement Area #2 and the Future Improvement Area by Lot Type is shown in the following table.

Actual and Expected Single Family Residential Units Within the District

<u>Lot Type</u>	<u>Improvement Area #1</u>	<u>Improvement Area #2</u>	<u>Future Improvement Area</u>	<u>Total number of Lots</u>
Lot Type 1 (20')	-	-	434	434
Lot Type 2 (25')	27	44	720	791
Lot Type 3 (35')	12	87	1,364	1,463
Lot Type 4 (50')	100	136 ⁽¹⁾	1,170	1,406
Lot Type 5 (60') ⁽²⁾	<u>98</u>	<u>-</u>	<u>826</u>	<u>924</u>
Total	<u>237</u>	<u>267</u>	<u>4,514</u>	<u>5,018</u>

⁽¹⁾ Of the 136 Lot Type 4 in Improvement Area #2, 6 are reserved for model homes.

⁽²⁾ Of the 98 Lot Type 5 in Improvement Area #1, 8 are reserved for model homes. There are currently two model homes furnished and staffed and two model homes under construction.

The previously completed build-out of the single family lots within Improvement Area #1 of the District and the Developer's current expectations regarding the build-out of the single family lots within Improvement Area #2 and future phases 3 and 4 of the District and sale of single family lots to homebuilders therein are shown in the following table.

Actual and Expected Build-Out Schedule of Single Family Units within Improvement Area #1, Improvement Area #2 and Future Phases 3 and 4

<u>Improvement Area</u>	<u>Single Family Units⁽¹⁾</u>	<u>Actual/Expected Micro Infrastructure Completion Date</u>	<u>Actual/Expected Initial Sale Date of Single Family Units to Homebuilders⁽²⁾</u>	<u>Expected Final Sale Date of Single Family Units to Homebuilders⁽²⁾</u>
1	237	May 2016	August 2016	March 2020
2	267	December 2019	December 2019	June 2021
3/4 ⁽³⁾	<u>373</u>	June 2021	June 2021	December 2022
Total	<u>877</u>			

⁽¹⁾ Numbers include model homes.

⁽²⁾ Expected Initial and Final Sale Dates provided by the Developer.

⁽³⁾ Information has been provided by the Developer from preliminary concept plans filed with the City. It has yet to be determined whether the anticipated 373 lots within future phases 3 and 4 will be constructed as one or two separate Improvement Areas.

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Development in Improvement Area #1

The Developer completed all of Master Improvement Area Improvements necessary to serve Improvement Area #1 and the Improvement Area #1 Improvements in 2016. Upon completion of such improvements, the Homebuilders within Improvement Area #1 began to take down their respective lots and begin home construction, as described below.

Homebuilder Lot Purchase Agreements within Improvement Area #1. The Developer has executed lot purchase and sale agreements for all 237 single family lots within Improvement Area #1 (the "Improvement Area #1 Lot Purchase Agreements") with merchant homebuilders, including Avi, Pacesetter, Aha Dream, GFO and Buffington. The following table provides the number of lots on which the foregoing Homebuilders plan to construct homes within Improvement Area #1, pursuant to the Improvement Area #1 Lot Purchase Agreements:

Improvement Area #1 Homebuilders and Lot Purchase and Sale Agreements⁽¹⁾

Homebuilder	Lot Type 2	Lot Type 3	Lot Type 4	Lot Type 5	Total Units
Avi	-	-	33	17	50
Pacesetter	27	12	51	43	133
Aha Dream	-	-	-	6	6
Buffington	-	-	16	17	33
GFO	-	-	-	15	15
Total	27	12	100	98	237

⁽¹⁾ Lot totals include model homes.

Build-Out and Sale Schedule of Lots within Improvement Area #1. The actual and anticipated schedule for sale of single family lots to homebuilders within Improvement Area #1 by Lot Type, pursuant to the Improvement Area #1 Lot Purchase Agreements, is shown in the following table.

Actual and Expected Sale of Single Family Lots to Homebuilders by Lot Type in Improvement Area #1⁽¹⁾

Year	Lot Type 2	Lot Type 3	Lot Type 4	Lot Type 5	Total Units
2016	9	12	15	3	39
2017	5	-	42	6	53
2018	13	-	26	55	94
2019	-	-	12	25	37
2020	-	-	5	9	14
Total	27	12	100	98	237

⁽¹⁾ Numbers include model homes.

The actual and anticipated schedule for sale of single family homes to residents within Improvement Area #1 by Lot Type is shown in the following table.

Actual and Expected Sale of Single Family Homes to Residents by Lot Type in Improvement Area #1⁽¹⁾

Year	Lot Type 2	Lot Type 3	Lot Type 4	Lot Type 5	Total Units
2016	-	-	1	-	1
2017	-	6	30	-	36
2018	3	6	-	8	17
2019	6	-	33	30	69
2020	18	-	36	30	84
2021	-	-	-	30	30
Total	27	12	100	98	237

⁽¹⁾ Numbers include model homes.

Lot and Home Construction in Improvement Area #1. As of February 15, 2019, Avi has purchased 50 completed lots, has finished construction of 11 homes and has sold 18 homes (including homes under contract, but not yet closed on) to third-party homeowners; Pacesetter has purchased 128 completed lots, has finished construction of 51 homes and has sold 58 homes (including homes under contract, but not yet closed on) to third-party homeowners; Buffington has purchased 8 completed lots and has sold 2 homes (not yet closed on) to third-party homeowners; Aha

Dream has purchased 2 completed lots and has sold 1 home (not yet closed on) to a third-party homeowner; and GFO has purchased 4 completed lots and has not finished construction of any homes. The following table shows the status of lot and home construction within Improvement Area #1, as of February 15, 2019.

Status of Single Family Lot and Home Construction in Improvement Area #1⁽¹⁾

<u>Lot Type</u>	<u>Total No of Lots</u>	<u>Completed Lots</u>	<u>Total Builder Contracted Lots⁽²⁾</u>	<u>Builder Contracted Lots Taken-down⁽²⁾</u>	<u>Homes Under Construction</u>	<u>Completed Homes Not Sold to Residents</u>	<u>Homes Under Contract with Residents</u>	<u>Homes Closed on by Residents</u>	<u>Expected final Sale Date to Residents</u>
Lot Type 2 (25')	27	27	27	27	-	6	-	3	June 2020
Lot Type 3 (35')	12	12	12	12	-	-	-	12	June 2018
Lot Type 4 (50')	100	100	100	84	15	6	13	31	December 2020
Lot Type 5 (60')	<u>98</u>	<u>98</u>	<u>98</u>	<u>69</u>	<u>14</u>	<u>3</u>	<u>9</u>	<u>11</u>	June 2021
Total	237	237	237	192	29	15	22	57	

⁽¹⁾ As of February 15, 2019.

⁽²⁾ Lot totals include model homes.

The single family residential lot and home prices in Improvement Area #1 as of February 15, 2019 are as follows:

Single Family Lot and Home Prices in Improvement Area #1

<u>Lot Type</u>	<u>Quantity</u>	<u>Base Lot Price</u>	<u>Average Home Price</u>	<u>Estimated Absorption Period (Months)</u>
Lot Type 2 (25')	27	\$30,000	\$236,900	44
Lot Type 3 (35')	12	39,500	233,067	24
Lot Type 4 (50')	100	47,500	303,177	52
Lot Type 5 (60')	<u>98</u>	<u>57,000</u>	<u>367,534</u>	<u>56</u>
Total	237			

Development in Improvement Area #2

The Developer has completed all of Master Improvement Area Improvements necessary to serve Improvement Area #2 and began construction of the Improvement Area #2 Improvements in February of 2019. The Developer expects to complete the Improvement Area #2 Improvements in December of 2019. Upon completion of the Improvement Area #2 Improvements, the Developer anticipates that the homebuilders within Improvement Area #2 will begin to take down lots, pursuant to the Improvement Area #2 Lot Purchase Agreements (as defined below).

Homebuilder Lot Purchase Agreements within Improvement Area #2. The Developer has executed lot purchase and sale agreements for 265 of the 267 planned single family lots within Improvement Area #2 (the "Improvement Area #2 Lot Purchase Agreements") with merchant homebuilders, including Pacesetter, Buffington Aha Dream and GFO. The following table provides the number of lots on which the foregoing homebuilders plan to construct homes within Improvement Area #2, pursuant to the Improvement Area #2 Lot Purchase Agreements:

Homebuilders and Lot Purchase and Sale Agreements⁽¹⁾

<u>Homebuilder</u>	<u>Lot Type 2</u>	<u>Lot Type 3</u>	<u>Lot Type 4</u>	<u>Total Units</u>
Pacesetter	44	87	-	131
Buffington	-	-	65	65
Aha Dream	-	-	5	5
GFO	<u>-</u>	<u>-</u>	<u>64</u>	<u>64</u>
Total	44	87	134	265

⁽¹⁾ Lot totals include lots reserved for model homes.

Estimated Lot and Home Prices and Absorption in Improvement Area #2. The Developer's current expectations regarding single family residential lot and home prices in Improvement Area #2 are as follows:

Estimated Single Family Lot and Home Prices in Improvement Area #2

<u>Lot Type</u>	<u>Quantity</u>	<u>Base Lot Price⁽¹⁾</u>	<u>Estimated Average Base Home Price</u>	<u>Estimated Absorption Period (Months)</u>
Lot Type 2 (25')	44	\$34,500	\$260,590	19
Lot Type 3 (35')	87	\$44,500	256,374	19
Lot Type 4 (50')	<u>136</u>	\$54,500	333,494	24
Total	<u>267</u>			

⁽¹⁾ Base lot prices derived from Improvement Area #2 Lot Purchase Agreements.

Photographs of the Development

The photograph below depicts development within Improvement Area #1 of the District with Braker Lane running east to west along the top right-hand corner of the photograph.



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The photograph below depicts 35' Lots within Improvement Area #1.



The photograph below depicts a model home by Avi on a 60' Lot.



The photograph below depicts a model home by Pacesetter on a 60' Lot.



The Financing Agreement

The Developer and the City entered into the Whisper Valley Public Improvement District Financing Agreement, dated as of November 1, 2011 (as amended, the "Financing Agreement") and expect to enter into the First Amendment to the Whisper Valley Public Improvement District Financing Agreement on March 28, 2019 (the "First Amendment to the Financing Agreement"). Pursuant to the Financing Agreement, the Developer has the right to construct public improvements for the District including the Improvement Area #1 Improvements, according to certain rules and regulations of the City, and to be paid by the City for a portion of the costs of such construction through assessments and/or the proceeds of bonds. The Financing Agreement provides in part the procedures for the disbursement of funds from the applicable Funds under the Indenture for the payment of costs already expended on the Improvement Area #1 Improvements. The Financing Agreement provides that the Developer may assign such Financing Agreement to any party so long as the assignee has demonstrated to the City's satisfaction that the assignee has the financial, technical, and managerial capacity, the experience, and expertise to perform any duties or obligations so assigned and so long as the assigned rights and obligations are assumed without modification to the Financing Agreement. See "APPENDIX G — Financing Agreement and Form of First Amendment to the Financing Agreement."

The Reimbursement Agreement

The City and the Developer expect to enter into the Whisper Valley Public Improvement District Improvement Area #1 Reimbursement Agreement on April 16, 2019, which will provide, in part, for the deposit of revenues from the Reimbursement Assessments. Pursuant to the Reimbursement Agreement, the City will agree to pay the Developer for a portion of costs of the Improvement Area #1 Improvements not paid with proceeds of the Bonds from the Reimbursement Assessments. The City's obligations under the Reimbursement Agreement are payable solely from Reimbursement Assessments and are not a debt or other obligation of the City payable from any other City revenues, taxes, income or property. **The revenues from the Reimbursement Assessments do not constitute security for the Bonds and are not part of the Pledged Revenues.** See "THE IMPROVEMENT AREA #1 IMPROVEMENTS."

Zoning/Permitting

Pursuant to the Development Agreement, the Developer secured PUD zoning. The PUD zoning was accomplished in the fall of 2010 and allows flexibility for each phase of the Development to be developed in a manner to meet market demand at the time of development of such phase, including a mixture of residential, mixed-use, commercial, industrial and open space uses within the Development in conformity with the limitations and conditions set forth in the Creation Resolution. In addition, the PUD zoning provides for tailored design regulations within the Development and special waivers from standard City Code requirements.

Education

The Development is located in the Del Valle ISD. Del Valle ISD operates two specialty campuses, nine elementary schools, three middle schools and three high schools. Joseph Gilbert Elementary School, which is approximately 3 miles from the District, Dailey Middle School, which is approximately 4 miles from the District, and Del Valle High School, which is approximately 7 miles from the District, are expected to serve residents in the District. Joseph Gilbert Elementary, Dailey Middle School and Del Valle High School are all rated “below average” by GreatSchools.org. According to the Texas Education Agency annual school report cards, Del Valle ISD, Joseph Gilbert Elementary School, Dailey Middle School and Del Valle High School were all rated as “Met Standard” (The categories for public school districts and public schools are Met Standard, Improvement Required or Not Rated).

The land plan for the Development reserves two school sites on which Del Valle ISD may build a middle school and an elementary school. Del Valle ISD will acquire school sites and build facilities through local bond elections. As the development of the residential portion of the Development takes place, the Developer will work closely with Del Valle ISD to make the school sites available.

Community Amenities

Parks and Trails. The primary theme of the Development will revolve around the park system. There will be approximately 700 acres of community park land. The primary park (the “Signature Park”), which will be developed on a phase by phase basis, will include approximately 600 acres and will be one of the largest public parks in the Austin area. Gilleland Creek is a natural amenity that runs through the park. An additional 100 acres of neighborhood parks and pedestrian trails will support the Signature Park.

The Developer has entered into a Master Parkland Agreement with the City (the “Parks Agreement”) whereby the Developer will maintain and dedicate the Signature Park to the City. It is intended that the Signature Park will contain both programmed and non-programmed areas. Examples of park improvements that may be constructed within the programmed areas of the Signature Park include pedestrian trails, paths and bridges, sports fields, community swimming pools and related facilities, playgrounds and community centers. Non-programmed areas within the Signature Park are intended to be open space areas left undisturbed and in their natural condition.

Amenities such as pedestrian trails, activity fields, community gardens, a community center and overall landscaping will be built on a phase-by-phase basis throughout the 20 to 25-year life of the Development. Initially, amenities will center around the initial entry and road landscaping, pedestrian trails and neighborhood parks, including playgrounds and local pools.

Additionally, residents of the Development will also have access to the Northeast Metropolitan Park which adjoins the Development on its northeast side. This facility includes 240 acres with activity fields, swim club, picnic pavilions and numerous bike and pedestrian trails.

Discovery Center. The Development includes a 5,000 square foot facility, known as the “Discovery Center,” which consists of a marketing center, geothermal heated pool, fitness center, creative play areas, conference room, Bosh/Rehau Geothermal presentation areas, Bosch Appliance show kitchen, Google Nest Smart Home center and electric vehicle stations. The Discovery Center is located in the southeast corner of Improvement Area #1 of the District and is currently owned and operated by the Developer. The Developer anticipates that the Discover Center will be dedicated to and accepted by the Owners’ Association within the next four to five years. The Owners’ Association will provide for the ongoing operation, maintenance and repair of the Discovery Center through the administration of an Owners’ Association Fee to be paid by each single family residential and multifamily residential

lot owner within the District. The Discovery Center opened in September of 2017 and is available for use by all single family and multifamily unit residents. The Developer spent approximately \$4,000,000 on the construction of the Discovery Center, which was financed through internal corporate funding.

The photographs below show the amenities offered at the Discovery Center.





Environmental

Site Evaluation. Several environmental studies of the Development have been prepared, including a Phase 1 Environmental Site Assessment and City of Austin Environmental Assessment (together, the “Phase 1 – ESA”). The Development, as planned, provides for a superior environmental project by providing enhanced water quality facilities, preserving the headwaters of several tributaries and preserving open space.

Based on the information as presented in the Phase 1 – ESA there is no evidence that the Development or adjacent properties are currently under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review identified eleven critical environmental features, including nine stock ponds with wetland vegetation and two emergent wetlands. The Developer has accounted for standard setbacks in the wetland areas, which conform to the guidelines of the City.

Endangered Species. According to the website for the United States Fish and Wildlife Service, the following endangered species are known or believed to occur in Travis County: Whooping Crane, Golden-cheeked warbler, Barton Springs salamander, Austin Blind Salamander, Bee Creek Cave harvestman, Bone Cave harvestman, Tooth Cave pseudoscorpion, Tooth Cave Spider, Kretschmarr Cave mold beetle, and Tooth Cave ground beetle. According to the website for the United States Fish and Wildlife Service, the following threatened species are known or believed to occur in Travis County: Piping Plover, Red Knot, Georgetown Salamander, and Jollyville Plateau Salamander. The Landowner is not aware of any endangered or threatened species located on District property.

Mineral Rights and Easement Rights

There are certain mineral rights reservations of prior owners of real property within the District, including within Improvement Area #1 (the “Mineral Owners”), pursuant to one or more deeds in the chain of title for the property in the District. The reservations of mineral rights include a waiver (the “Surface Waiver”) by the Mineral Owners of their right to enter onto the surface of the property to explore, develop, drill, produce or extract minerals within the District. However, the Mineral Owners have reserved the right to establish no more than two drill sites for the production and exploration of oil, gas and other minerals within the area of the District designated the “Drill Site Zone.” The Drill Site Zone consists of the property within the District, save and except Improvement Area #1, Improvement Area #2 and 147 acres within the remaining Future Improvement Area, as further described in the Surface Waiver. The Mineral Owners have not yet designated any drill sites within the Drill Site Zone.

While there is currently no drilling or exploration of minerals, the Developer cannot predict whether the Mineral Owners will take new action in the future to explore or develop the above-described mineral rights. The Developer is not aware of any real property (including mineral rights) owned by the Mineral Owners adjacent to the District. Certain rules and regulations of the Texas Railroad Commission may restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues.

Although the Developer does not expect the exercise of such rights or any other mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Bond Assessments, the Developer makes no guarantee as to such expectation. See “BONDHOLDERS’ RISKS — Exercise of Mineral Rights.”

Geotechnical Exploration

A Geotechnical Data Report (the “Geotech”) was prepared for the Improvement Area #1 Improvements by Raba Kistner, dated March 4, 2014. The Geotech made recommendations for subgrade and foundation soil preparation and pavement thickness. The Developer followed all such recommendations.

Utilities

Water and Wastewater. The City will provide both water and wastewater service to the Development. Pursuant to certain cost reimbursement agreements, the Developer was required to construct certain facilities within the District necessary for the City to provide water and wastewater service, a portion of which facilities are Master Improvement Area Improvements. The Developer has completed such facilities. The City currently has sufficient capacity to provide water and wastewater service to the Development, including Improvement Area #1.

Other Utilities. The Development offers multiple sustainable and energy-saving options for its residents, including Ecosmart technology. Ecosmart is an integrated technology package engineered to provide a clean and zero-energy capable solution to entire communities like the Development. Each single family residential home in Improvement Area #1 will be equipped with Ecosmart technology, which includes a geothermal heating and cooling system, and may also include photovoltaic solar panels, high-efficient kitchen appliances and smart home technology. The geothermal heating and cooling system uses thermal properties of the earth beneath the home to heat and cool each home. Upon installation, each single family residential owner will be responsible for the payment of an Ecosmart Product Package and the monthly Geothermal Service Assessment. The Geothermal Service Assessment was set at \$60 per month in 2017 and adjustments, if any, to the Geothermal Service Assessment are reviewed annually on January 1 of each year based on changes in the consumer price index, provided that the Geothermal Service Assessment may never be less than \$60. The total amount of such Geothermal Service Assessment for 2019 is \$60 per month.

In addition to the Ecosmart technology, the Developer anticipates additional utilities to be provided by the following entities:

Gas ⁽¹⁾	Texas Gas Service
Phone/Data	AT&T
Electric	Austin Energy & Bluebonnet Electric Cooperative
Cable	Google Fiber

⁽¹⁾ Texas Gas Service is the supplier of gas to the land within the Development, however, the Developer does not anticipate that gas will be used in the Development due to the self-supporting nature of the Ecosmart technology.

HOA Assessments

The Developer anticipates that each property owner of an Assessed Property in Improvement Area #1 of the District will pay both an annual General Owners’ Association Fee and an annual Additional Owners’ Association Fee to the Owners’ Association related to the operation and maintenance of improvements or amenities within the District or specific to the property owner’s lot. All Owners’ Association Fees will be calculated annually based on the estimated expenses to be incurred by the Owners’ Association in performing its functions to, among other things, maintain, repair and manage the improvements or amenities covered by the respective Owners’ Association Fee. The

total amount of such Owners' Association Fees for property owners of an Assessed Property within Improvement Area #1 are expected to be approximately \$50 per month.

Awards

The Development and EcoSmart Solution LLC, a subsidiary of Taurus Investment Holdings, LLC (described below) that designs, builds and operates the Ecosmart technology within the Development have received numerous awards relating to the marketing of and sustainable building practices within the Development, including the following:

- 2017 Community of the Year – Green Home Builder
- 2018 Best Sales Welcome Center Silver Award – National Association of Home Builders, The Nationals
- 2018 Best New Community – Home Builders Association Greater Austin, MAX Awards
- 2018 Best Print Ad – Home Builders Association Greater Austin, MAX Awards
- 2018 Best Overall Ad Campaign – Home Builders Association Greater Austin, MAX Awards
- 2018 Best Innovative Energy Design Merit Award – PCBC, Gold Nugget Awards
- 2018 Best Social Media Marketing Program – Texas Association of Builders, Texas Star Awards
- 2018 Overall Winner – Green Home Builder, Sustainable Innovation Awards
- 2018 Best Sustainable Project – Green Home Builder, Sustainable Innovation Awards

THE DEVELOPER

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, 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, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of revenue bonds, such as the Bonds, issued by a public improvement district. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the primary tax and assessment payer within a district during its development.

Taurus Investment Holdings, LLC — History and Deal Structure

For over 40 years, Taurus Investment Holdings, LLC ("TIH"), an affiliate of the Developer, has been sourcing real estate investments and developments on a global scale. The company has developed a successful "Club Deal" investment template based upon a three-part strategy.

1. Develop a network of high net worth individuals that are knowledgeable investors. The network includes several hundred German investors, U.S. investors, and additional investors from various other parts of the world such as Israel and South America. Many of these investors have been involved in the TIH real estate program for decades.

2. Apply expert deal underwriting standards supervised by the key TIH partners: Lorenz Reibling (Partner and Chairman), Guenther Reibling (Partner and COO), and Peter Merrigan (Partner and CEO). Each Club Deal receives critical underwriting by this group in conjunction with input from the sourcing local partner (such as the Developer). Once an acquisition decision has been made, the senior partners present the Club Deal opportunity to the network of high net worth investors to fund capital into the deals. The acquisitions are generally structured into single asset Limited Partnerships and Limited Liability Companies. Senior management partners and local partners provide the General Partnership function, and investors provide capital as Limited Partners. Each individual limited partner's risk is limited to the funds they invest. In most cases, the land acquisitions are made with cash investments. In those cases, no bank financing is used which reduces the risk of holding the land during the project development. (This is the case with Whisper Valley.) Additional funds are typically raised to obtain entitlements, market research, and preliminary engineering. (This is also the case with Whisper Valley.) Once the projects have begun, management is conducted by the local partners, and an extensive reporting system is provided to the investors. Reports are supervised by the senior management team and by Linda Kassof (Senior Vice President and CFO). When development of infrastructure and improvements begins, funds often are borrowed from banks. (This is the case with the Development). These funds are repaid from revenues that are generated from the sale of lots, or land as it is developed. See "THE DEVELOPER — History and Financing of the Development."
3. Day-to-day management of the projects is conducted by local partners. Local partners are experienced development partners who are knowledgeable about local conditions surrounding the specific projects. Local partners are located in several US offices, Canada, South America and Europe. These management members work through the acquisition, entitlement, development, property management and sales of the Club Deals until the project is fully liquidated. They provide frequent reports to the senior management team and investors.

Currently, nearly two billion dollars in asset value are managed in the TIH network, and there is over six hundred million dollars in capital invested. TIH has purchased and sold over 20 million square feet of office, residential, industrial, retail, hotel and other commercial real estate assets. Over the past 40 years, TIH has successfully acquired, managed, developed and sold almost 200 real estate investments. It has managed through many real estate cycles both good and bad. When markets have declined, and investors have been asked to make additional capital calls to cover the costs of operation, they have responded. During the most recent recession, they have been asked to make a number of capital calls and have remained very supportive. Within the TIH operation, they have remained supportive in all of the programs without exception.

There are 10 Club Deals that are or have been managed by Taurus of Texas Holdings, L.P. a Texas limited partnership ("TOT"), an affiliate of TIH and the parent company of the Developer. See "ONGOING TAURUS OF TEXAS HOLDINGS, L.P. PROJECTS." In all of these ventures, the limited partners have performed as requested. In the Whisper Valley Club Deal partnership, there are approximately 50 Limited Partners, some of which have a net worth of over a billion dollars. These limited partners have invested combined almost \$40 million in the development of the Whisper Valley project to date. They have steadfastly provided capital calls when requested. See "THE DEVELOPER — History and Financing of the Development."

Senior Management Biography of TIH

Peter Merrigan. As CEO of TIH, Peter Merrigan oversees the daily operations of TIH worldwide. Peter has negotiated, structured and closed more than \$3 billion worth of complex real estate transactions, spanning over 20 years in numerous U.S. states and 7 countries. Peter is a partner of TIH, along with Lorenz Reibling and Guenther Reibling. Among other board positions, Peter is the former Chairman of the Alumni Association of the MIT Center for Real Estate. His formal education includes a BA from the College of the Holy Cross and an MS from Massachusetts Institute of Technology.

Guenther Reibling. Guenther Reibling is the COO and a partner of TIH. Guenther oversees origination and development activities of new projects, including underwriting and acquisition. He also directs the ongoing overall management of current projects. Guenther has managed real estate construction, development, and sales since 1971. While at Derag, he directed the sales coordination of real estate collectively valued at \$100 million that included parts of the Olympic Village. In 1976, Guenther and partners formed TBG Taurus Bau GmbH, a Munich-based development

company. In 1979, Guenther was the first of the TIH group to come to the US to explore development opportunities. He is a former Special Advisor to the Secretary of Commerce of the State of Florida.

Lorenz Reibling. As Chairman of TIH, Lorenz Reibling is focused on the development and nourishment of international relationships with investors and product sources predominantly in TIH's non-US related businesses. He is a frequent speaker at real estate conferences, and an advisor to and board member of the renowned MIT/CRE (Massachusetts Institute of Technology/Center for Real Estate) in Cambridge, Massachusetts. As Chairman of TIH, Lorenz also acts as a spokesperson for the firm. Lorenz is a partner of TIH and has been involved in hundreds of commercial real estate transactions since 1979. His education includes Munchen-Kolleg; Technische Universitat; Ludwigs-Maximilians Universitat; and an MS from Boston College.

Local Partner Biography of TOT

Douglas Gilliland. As President of CD 120 GP, LLC, a Delaware limited liability company, the General Partner of the Developer, Douglas Gilliland is responsible for deal sourcing, permitting, development, disposition and financing of high quality residential and commercial communities. Douglas brings over 30 years of development and marketing experience and has been involved in a number of large and distinctive residential and mixed-use land developments in Texas, Colorado, and Kansas. See "SAMPLING OF PROJECTS BY DOUGLAS GILLILAND PRIOR TO JOINING TAURUS OF TEXAS HOLDINGS, L.P." He is a past President of the Texas Association of Builders, Greater Fort Worth Home Builder Association, and a former National Vice President of the National Association of Home Builders. He also is a former Director of the Greater Dallas Builder's Association. In 2005 he received the Herman J. Smith Legend Award from the Greater Fort Worth Home Builder Association. His education includes one year at Southern Methodist University in Dallas, and a BS degree from the University of Missouri at Kansas City. Douglas is currently serving as a Director of "The Bank, Arlington" in Texas and also holds a real estate broker's license for the State.

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A snapshot of some of the communities TOT has developed or is currently developing is presented below.

TAURUS OF TEXAS HOLDINGS, L.P. PROJECTS

Project Name	Project Location	Project Status	Percent Complete	Total Project Budget	Anticipated/Actual Completion Date	Project Description
Indian Hills	Austin, TX	In Progress	5%	\$42,000,000	2025	239 Acre Multifamily/ Industrial
Twin Mills Farms	Fort Worth, TX	In Progress	99%	\$28,000,000	2019	950 Residential Lots
Garden Heights	Mansfield, TX	Complete	100%	\$22,275,000	2014	450 Residential Lots
Garden Town Center	Dalworthington Gardens, TX	In Progress	85%	\$2,337,340	2019	Commercial Mixed Use
TIG Town Center Hotel, LP	Keller, TX	In Progress	5%	\$18,000,000	2020	Hotel

A snapshot of some of the communities local partner, Douglas Gilliland, has developed prior to joining TOT is presented below.

SAMPLING OF PROJECTS BY DOUGLAS GILLILAND PRIOR TO JOINING TAURUS OF TEXAS HOLDINGS, L.P.

Name of Project	Type of Community	Number of Lots	Price Point	Approximate Year Started	Disposition
Quail Valley Estates	Single Family Residential	240	\$150-275	1986	Sold all lots to 10-15 Custom Builders
Spring Lake Estates	Single Family Residential	600	\$100-300	1995	Sold all lots to Merchant Builders
Ashwood Park	Single Family Residential	143	\$90-150	2004	Sold lots to Custom Builders and Investors
The Commons	Single Family Residential	220	\$150-250	2000	Sold all lots to Custom and Merchant Builders
Willow Creek	Single Family Residential	225	\$150-250	1998	Sold all lots to Custom and Merchant Builders
The Manors of Waterford	Single Family Residential	64	\$900-2,200	2001	Sold all Lots to Custom Builders
Wyndham Village	Mixed Use Patio Homes	60	\$175-250	1996	Sold all Lots to Custom Builders
					Sold Office Bldg Lots to Commercial Builders
Carriage Gate	Single Family Residential	300	\$120-225	1991	Sold all lots to Merchant Builders
Williamsburg Estates	Single Family Residential	90	\$225-400	1989	Sold all lots to Custom Builders
Keller Town Center	Mixed Use	130 acres	N/A	2000	Commercial/Multifamily/Office/ Patio Homes/ Municipal Uses

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History and Financing of the Development

Whisper Valley. The Developer purchased the property within the Development for a purchase price of approximately \$28,550,000. The Developer's acquisition was made on a cash basis through investor funding, and no third-party financing was used to acquire the property.

Improvement Area #1. In order to finance its development activities within the Development, including within Improvement Area #1, on June 14, 2018 the Developer entered into a loan (the "Development Loan") for \$3,650,000 with PlainsCapital Bank (the "Development Lender"), which, as of February 4, 2019, is secured by a lien on all of the real property within Improvement Area #1 and Improvement Area #2 thereon owned by the Developer, including the Discovery Center. The Development Loan matures on June 14, 2021. As of February 15, 2019, there is an outstanding balance of approximately \$1,541,456.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, the Development Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Loan to the assessment liens on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over any liens on the property within the District securing the Loan.

THE SPECIAL ASSESSMENT CONSULTANT

The following information has been provided by the DPFG, as the Special Assessment Consultant. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.

In its role as Special Assessment Consultant to the Developer, Development Planning & Financing Group, Inc. ("DPFG") (www.dpfg.com) has been primarily responsible for drafting, on behalf of the City, the Service and Assessment Plan, including any annual updates, supplements and amendments thereto prior to 2018, and assisting in the preparation of the 2018 Addendum to the Service and Assessment Plan and the 2019 Amended and Restated Service and Assessment Plan. DPFG is a national real estate consulting firm with 9 offices in six states (California, Colorado, Nevada, Texas, Florida and North Carolina). Since its inception in 1991, it has focused on providing real estate and financial consulting services principally to residential and commercial real estate developers as well as lenders, public agencies and other institutional investors. A key emphasis is identifying the lowest cost and the lowest risk manner of financing and funding public improvements and infrastructure such as roadways, utilities, etc., as well as the vertical improvements of a project.

To accomplish this, DPFG typically provides, among others, the following services:

- Preparation of financial analyses and projections;
- Preparation of financial feasibility studies, including compliance analyses with debt covenants;
- Identification of available and applicable public/private financing alternatives;
- Preparation of fiscal and economic impact studies;
- Negotiation of development agreements;
- Evaluation of development impact fee arrangements;
- Tracking of reimbursable development costs; and
- Structuring of reimbursement agreements.

The financing programs that are involved usually include some type of public financing and/or public/private partnerships. These have included land secured financings such as public improvement districts (PIDs), municipal utility districts (MUDs), tax increment reinvestment zones (TIRZs), community facility districts (CFDs), as well as

general obligation, revenue and assessment bonds. The firm has been involved in the formation, structuring, feasibility analysis and issuance of more than \$16.0 billion of bonds for more than 2,500 special taxing districts (or their equivalents) since 1991.

THE SERVICE AND ASSESSMENT PLAN CONSULTANT

P3Works, LLC has been engaged by PFM Financial Advisors, LLC, Financial Advisor to the City, as the “Service and Assessment Plan Consultant.” P3Works, LLC prepared the 2018 Addendum to the Service and Assessment Plan and the 2019 Amended and Restated Service and Assessment Plan to be adopted by the City. P3Works, LLC was not engaged to prepare any updates to the Service and Assessment Plan prior to the 2018 Addendum to the Service and Assessment Plan, nor has P3Works, LLC been engaged by the City to provide updates to the Service and Assessment Plan in the future or to provide ongoing PID administration services. The Service and Assessment Plan Consultant is a consulting firm focused on providing municipalities throughout Texas services relating to the formation and administration of public improvement districts, and has offices in Austin, Texas and Keller, Texas.

APPRAISAL OF BOND ASSESSED PARCELS

General. Paul Hornsby & Company, Austin, Texas (the “Appraiser”) prepared an appraisal report for Improvement Area #1 of the District, dated November 2, 2018, based upon a physical inspection of the Improvement Area #1 on September 27, 2018 (the “Appraisal”). The Appraisal was prepared at the request of the City. The Appraisal is attached hereto as APPENDIX F and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX F — Appraisal of Improvement Area #1.”

Value Estimates. The Appraiser estimated the market value of the fee simple interest in the 195 vacant, improved and partially improved single family residential lots representing the Bond Assessed Parcels within Improvement Area #1. The Appraisal did not include the Previously Sold Assessed Parcels, which consist of the 42 single family residential lots owned by individual homeowners as of August 23, 2018. See “PLAN OF FINANCE — Development Plan” and “THE DEVELOPMENT.” The Appraisal does not reflect the value of the property as if sold to a single purchaser in a single transaction. See “APPENDIX E — Appraisal of Bond Assessed Parcels.”

The cumulative retail value estimate for the 195 vacant, improved and partially improved single family lots within Improvement Area #1 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal as of September 4, 2018, is \$18,888,925. None of the City, the Developer, the Financial Advisor nor the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developer, the Financial Advisor and the Underwriter make no representation as to the reasonableness of such assumptions.

THE MARKET STUDY

Economic & Planning Systems, Inc. (“EPS”) was engaged by PFM Financial Advisors, LLC to review the market assumptions being used by the Developer for Improvement Area #1 of the District. In a report dated November 6, 2018 (the “Market Study”), EPS reviewed the development plans for Improvement Area #1, and concluded that, among other conclusions, (1) based on the Appraisal, the anticipated amount of the Bonds is appropriately scaled to the value of the land, and (2) the currently estimated District tax burden appears to be supportable based on project value assumptions and comparisons to other communities. The Market Study is attached as APPENDIX H and should be read in its entirety. None of the City, the Developer, the Financial Advisor nor the Underwriter make any representation as to the accuracy, completeness, assumptions or information contained in the Market Study. The assumptions or qualifications with respect to the Market Study are contained therein. There can be no assurance that any such assumptions will be realized, and none of the City, the Developer, the Financial Advisor and the Underwriter make any representation as to the reasonableness of such assumptions.

BONDHOLDERS' RISKS

Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within Improvement Area #1 of the District to pay Bond Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against the Bond Assessed Parcels within Improvement Area #1 of the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within the District should proceed more slowly than expected and the Developer is unable to pay the Bond Assessments, only the value of the Bond Assessed Parcels, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the Bond Assessed Parcels. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds. See "BONDHOLDERS' RISKS — Limited Secondary Market for the Bonds."

No Credit Rating

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue,

secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Assessment Limitations

Annual Installments of Bond Assessments are billed to property owners of Bond Assessed Parcels in the District. Annual Installments of Bond Assessments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under “ASSESSMENT PROCEDURES” herein. Additionally, Annual Installments of Bond Assessments established by the 2019 Amended and Restated Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year and the annual collection costs for such year. See “ASSESSMENT PROCEDURES” herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Bond Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments of Bond Assessments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments of Bond Assessments in the District, the City has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments of Bond Assessments are secured by the Bond Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a Bond Assessed Property, any Bond Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Bond Assessments, the liens securing such delinquent ad valorem taxes and delinquent Bond Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Bond Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, § 372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Bond Assessment Lien as it relates to installment payments that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code § 372.018(d) supports this position, stating that a Bond Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Bond Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, a Bond Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. It is unclear under State law whether or not Pre-existing Homestead Rights would prevent the Bond Assessment Lien from attaching to such homestead property or instead cause the Bond Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under State law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no individual homeowners had the ability to claim homestead rights on Bond Assessed Parcels. Furthermore, the Developer and the Homebuilders are not eligible to claim homestead rights. Consequently, there are and can be no homestead rights on the Bond Assessed Parcels superior to the Bond Assessment Lien and, therefore, the Bond Assessment Lien may be foreclosed upon by the City.

Failure by owners of the parcels to pay Annual Installments of Bond Assessments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Bond Assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds.

THE ASSESSMENTS CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND IS A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT.

Effects of Future Legislation

In October 2017, the Texas House and the Texas Senate issued interim charges to the Committee on Special Purpose Districts and the Intergovernmental Relations Committee (collectively, the “Interim Committees”), respectively, requesting the study of special purpose districts and public improvement districts and potential bond issuance reforms. The charges to the Interim Committees included review, hearings and testimony related to changes to and oversight of bonds secured by special assessments. Prior to the 2019 Texas legislative session, the Interim Committees made recommendations to the Legislature on how to regulate special assessment revenue bonds, and possibly establish parameters on the use of public improvement districts as financing vehicles.

The 2019 Texas legislative session convened on January 8, 2019 and will end on May 27, 2019. It is impossible to predict what bills may be introduced during the 2019 Texas legislative session or any other upcoming legislative sessions, whether such new proposals or any previous proposals will be recommended by the Interim Committees or new bills regarding the same will be passed by the Texas Senate and House of Representatives and signed by the Governor, and, if enacted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the City’s ability to operate and maintain the District or to issue Phased Bonds.

Risks Related to the Current Real Estate Market

In the past, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market more difficult. Downturns in the real estate market and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of parcel, lot and home sales within the District.

Competition

The housing industry in the Austin area is very competitive, and none of the Developer, the City, the City’s Financial Advisor nor the Underwriter can give any assurance that the building programs which are planned will ever commence. The competitive position of the Developer or of any other home builder in the sale of developed lots or the construction and sale of single family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District.

There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development.

Loss of Tax Exemption

The Indenture contains covenants by the City intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

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.

Bankruptcy

The payment of Bond Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Bond Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Bond Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay in prosecuting foreclosure proceedings relating to the Bond Assessments, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Bond Assessments might not be paid in full. See "BONDHOLDERS' RISKS — Bondholders' Remedies and Bankruptcy."

Direct and Overlapping Indebtedness, Assessments and Taxes

The ability of an owner of property within the District to pay the Bond Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of Improvement Area #1 of the District currently impose ad valorem taxes on the property within Improvement Area #1 of the District and will likely do so in the future. Such entities could also impose assessment liens on the property within Improvement Area #1 of the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Bond Assessments.

Pursuant to the Development Agreement, the City has agreed not to annex for full purposes or impose ad valorem taxes on all or a portion of the property in the District until (i) for property within the District for which PID Bonds have been issued to pay for public improvements, or for which the Developer has in good faith requested that the City issue PID Bonds to pay for public improvements, the earlier of (a) the date that all PID Bonds, relating to the portion of the property in the District to be annexed, are paid in full, or (b) forty-four (44) years and six (6) months after the effective date of the Development Agreement (June 18, 2009), and (ii) for property within the District for which PID Bonds have not been issued to pay for public improvements, or for which the Developer has not in good faith requested that the City issue PID Bonds to pay for public improvements, fifteen (15) years after the effective date of the Development Agreement. See "OVERLAPPING TAXES AND DEBT."

Depletion of Reserve Account of the Reserve Fund

Failure of the owners of property within the District to pay the Bond Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Fund, the amount in the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under "SECURITY FOR THE BONDS — Reserve Account of the Reserve Fund" herein.

Hazardous Substance

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well-known and widely applicable of these laws. It is likely that, should any of the parcels of land located in the District be affected by a hazardous substance, the marketability and value of

parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the District does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within the District has such a current liability with respect to such parcel; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

See “THE DEVELOPMENT — Environmental” for discussion of previous Phase 1 - ESA performed on property within the District.

Regulation

Development within the District may be subject to future federal, state and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

100-Year Flood Plain

Approximately 600 acres within the District, none of which are within Improvement Area #1, are located within an official FEMA 100-year flood plain as shown on the current Federal Emergency Management Agency’s Flood Insurance Rate Map Panels 48453C0490J and 48453C0495J. All the lands identified to be within the developed floodplain will be located within dedicated open space, park or drainage easements. As the project is developed the final location of the floodplain will be determined and will be contained within drainage easements or dedicated lots. The City will not allow occupied structures to be developed within the floodplain. Minor park facilities have been approved to be placed in the floodplain by the City.

Risk from Weather Events

All of the State, including the City, is subject to extreme weather events that can cause loss of life and damage to property through weather events that include strong winds, flooding and heavy rains. It is impossible to predict such weather events and the impact they may have on the City, including land within the District.

Exercise of Mineral Rights

As described herein under “THE DEVELOPMENT— Mineral Rights and Easement Rights,” there are certain mineral rights reservations located within the District and not owned by the Developer. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within the District recorded in the real property records of Travis County.

The Developer does not expect the existence or exercise of any mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Bond Assessments. However, none of the City, the Financial Advisor, or the Underwriter provide any assurances as to such Developer expectations.

Bondholders' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of at least twenty-five percent (25%) of the owners of the Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City's obligations under the Bonds or the Indenture and such 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 owners of the Bonds 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 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 City. The City is authorized under State law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The City may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under State law are obtained and (6) the plan is in the best interests of creditors and is feasible. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Bond Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge and the rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the City's debt.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Bond Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed Wasson for a second time and issued an opinion

on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

Because it is unclear whether the State legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes, assessments and Bond Assessments may be adversely affected by the effects of market conditions on the foreclose sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

Limited Secondary Market for the Bonds

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an Owner thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Owners of the Bonds, depending on the progress of development of the District subject to the Bond Assessments, existing real estate and financial market conditions and other factors.

Management and Ownership

The management and ownership of the Developer and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in projects comparable to the Development.

General Risks of Residential Home Sales

The ability of the Homebuilders to sell residential units within Improvement Area #1 may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market, changes in long and short-term interest rates, changes in market preferences and architectural trends, the adverse use of adjacent and neighboring real estate, and other unknown contingencies and factors beyond the control of the Developer. In the event that a large number of residential projects are constructed outside of the District, and compete with the Development, the demand for residential housing within the District could be reduced, thereby adversely affecting the continued development of the Development, or its attraction to businesses and residents.

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Bonds depends on the willingness and ability of the Developer and any subsequent owners to pay the Bond Assessments when due. Any or all the foregoing could reduce the willingness and ability of such owners to pay the Bond Assessments and could greatly reduce the value of the property within Improvement Area #1 of the District in the event such property has to be foreclosed. If Annual Installments of Bond Assessments are not timely paid and there are insufficient funds in the accounts of the Reserve Fund, a nonpayment could result in a payment default under the Indenture.

Use of Appraisal

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in an appraisal is based on various assumptions of future expectations and while the appraiser's forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analyses, an appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the appraiser's, underwriter's and City's control, as well as to certain factual matters. Furthermore, the appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation.

Dependence Upon Developer and Homebuilders

The Developer and the Homebuilders, as the owners of a majority of the Bond Assessed Parcels in Improvement Area #1 of the District, as of February 15, 2019, have the obligation for payment of approximately 22.28% and 69.63%, respectively, of the total Bond Assessments. The ability of the Developer and the Homebuilders to make full and timely payment of the Bond Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The sole assets of the Developer are land within the District, related permits and development rights and minor operating accounts. The source of funding for future land development activities and infrastructure within the District also consists of proceeds from Phased Bonds and proceeds of parcel sales, as well as possible bank financing and equity contributions by the Developer and its partners. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Bond Assessments if necessary, or as to whether the Developer will advance such funds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative

minimum taxable income of the owners thereof. A form of Bond Counsel's opinion is reproduced as Appendix D. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the Date of Delivery pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the Trust Estate and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

Norton Rose Fulbright US LLP, serves as Bond Counsel to the City. McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the City. Orrick, Herrington & Sutcliffe LLP serves as Underwriter's Counsel. The legal fees paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Legal Opinions

The City will furnish the Underwriter a transcript of certain certified 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 Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further

state that the Bonds, including principal of and interest thereon, are payable from and secured by a pledge of and lien on the Trust Estate. Bond Counsel will also provide a legal opinion to the effect that 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 above under the caption “TAX MATTERS.” A copy of the opinion of Bond Counsel is attached hereto as “APPENDIX D —Form of Opinion of Bond Counsel.”

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, 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 Limited Offering Memorandum under the captions or subcaptions “PLAN OF FINANCE — The Bonds” (second paragraph only) “DESCRIPTION OF THE BONDS,” “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES” (except for the subcaptions “Assessment Methodology” and “Assessment Amounts”), “THE DISTRICT” (except for the subcaption “Collection and Delinquency History of Master Improvement Area Assessments”), “TAX MATTERS,” “LEGAL MATTERS — Legal Proceedings” (except for the final paragraph thereof) “LEGAL MATTERS — Legal Opinions” (except for the final paragraph thereof), “CONTINUING DISCLOSURE – The City,” “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “INVESTMENTS,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and APPENDIX B and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

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 that 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.

Litigation — The City

At the time of delivery and payment for the Bonds, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to its knowledge, overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of the Bond Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any documents relating to the Bonds.

Litigation — The Developer

At the time of delivery and payment for the Bonds, Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of Developer, threatened against or affecting Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Financing Agreement, the Reimbursement Agreement or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”). Additionally, principals of Developer and their affiliated entities have been (but are not currently) parties to pending and threatened litigation related to their commercial and real estate development activities. Such litigation occurs in the ordinary course of business and is not expected to have a Material Adverse Effect.

SUITABILITY FOR INVESTMENT

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS.” The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

NO RATING

No application for a rating of the Bonds has been made to any rating agency, nor is there any reason to believe that the City would have been successful in obtaining an investment grade rating for the Bonds had application been made.

CONTINUING DISCLOSURE

The City

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City and U.S. Bank National Association (in such capacity, the “Dissemination Agent”) will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Issuer”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Issuer, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer.” Under certain circumstances, the failure of the City to comply with its obligations under the Disclosure Agreement of the Issuer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Issuer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The City has agreed to update information and to provide notices of certain specified events only as provided in the Disclosure Agreement of the Issuer. The City 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 in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Issuer. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Issuer or from any statement made pursuant to the Disclosure Agreement of the Issuer.

The City Compliance with Prior Undertakings

With respect to the City’s continuing disclosure agreement regarding the Rental Car Special Facility Revenue Bonds, the City failed to file rating upgrades from Moody’s and Fitch within the ten day window which started on

July 10, 2015 and August 17, 2016, respectively. The City filed the event notices with respect to the ratings upgrade on December 14, 2016. The failure to file the ratings upgrade in a timely manner was also filed on the same date. With respect to the continuing disclosure agreement entered into by Austin Bergstrom Landhost Enterprise, Inc. (“ABLE”), a non-profit corporation created by and under the control of the City, with respect to ABLE’s Series 1999A & 1999B Bonds, ABLE did not file its financial statements by the June 30 deadline for Fiscal Year December 31, 2015. The financial statements were filed on July 19, 2016 and the failure to file notice was posted on September 1, 2017. The referenced ABLE bonds are no longer outstanding. With respect to the City’s continuing disclosure reports regarding its outstanding Airport System Revenue Bonds, the City determined that a table had transposed years in the presentation of data in such report that was filed in 2015, and the City filed corrected information for such table on May 8, 2015. With respect to the City’s continuing disclosure reports regarding its outstanding Combined Utility Revenue Bonds, Water and Waste water System Revenue Bonds, and Electric Utility System Revenue Bonds, on April 25, 2016, the City filed updated financial information and operating data to reflect audited financial information as well as updated information in the “Comparative Analysis of Electric Utility System and Water and Wastewater System Operations,” “Operating Statement Electric Utility System and Water and Wastewater System” and “The Electric Utility System and Water and Wastewater System (Plant Cost and Equity in Utility Systems)” tables previously filed. On February 3, 2017, the City filed a ratings upgrade notice for the Prior First-Lien Combined Electric, Water and Wastewater Revenue Bonds, which took place on July 1, 2015. The failure to file the ratings upgrade in a timely manner was also filed on the same date. On June 30, 2017, the City filed updated financial information and operating data to reflect Fiscal Year 2016 information on the first page of the “Water Service Rates” table. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City, including the Master Improvement Area Senior Bonds and the Master Improvement Area Subordinate Bonds. The City filed the omitted information on May 14, 2014. The City has adopted policies and procedures to ensure timely filing of all future financial information and event notices and will continue to provide updates to the financial information and operating data as changes occur.

The Developer

The Developer and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Developer”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Developer, certain information regarding the Development and the Improvement Area #1 Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX E-2 — Form of Disclosure Agreement of the Developer.” Under certain circumstances, the failure of the Developer to comply with its obligations under the Disclosure Agreement of the Developer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Developer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The Developer has agreed to (i) prepare and provide certain updated information in report form to the Dissemination Agent and (ii) provide notices of certain specified events, only as provided in the Disclosure Agreement of the Developer. The Developer 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 in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Developer. The Developer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Developer or from any statement made pursuant to the Disclosure Agreement of the Developer. Concurrently with issuance of the Bonds, the Developer will enter into a continuing disclosure agreement related to the Improvement Area #1 Bonds.

The Developer’s Compliance With Prior Undertakings

The Developer entered into continuing disclosure agreements relating to the Master Improvement Area Senior Bonds and the Master Improvement Area Subordinate Bonds (the “Master Improvement Area Disclosure Agreements”), pursuant to which the Developer agreed to provide certain information regarding the Development and the Master Improvement Area Improvements (the “Master Improvement Area Reports”) to the Dissemination Agent

on a quarterly basis no later than thirty (30) days after each January 1, April 1, July 1 and October 1 (each January 31, May 1, July 31 and October 31, respectively). Upon receipt from the Developer, the Dissemination Agent is required to promptly file such Master Improvement Area Reports with the MSRB. During the last five years, the Developer has timely filed its Master Improvement Area Reports with the Dissemination Agent. During the last five years, the Dissemination Agent has, upon receipt from the Developer, promptly filed the Master Improvement Area Reports with the MSRB with the following exceptions. For the period ending April 1, 2017, the Dissemination Agent filed the applicable Master Improvement Area Report on June 5, 2017. For the period ending April 1, 2018, the Dissemination Agent filed the applicable Master Improvement Area Report on May 15, 2018. The Dissemination Agent has implemented internal procedures to ensure the timely filing of all future Master Improvement Area Reports.

UNDERWRITING

FMSbonds, Inc. (the "Underwriter") has agreed to purchase the Bonds from the City at a purchase price of \$_____ (the par amount of the Bonds, less an underwriting discount of \$_____, which includes Underwriter's Counsel fee of \$_____). The Underwriter's obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the cover hereof, and such initial offering prices may be changed from time to time by the Underwriter.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "NO RATING" above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

INVESTMENTS

The City invests its funds in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity’s custodian of the banking deposits issued for the entity’s account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations,

including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City 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 City 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 City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City 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.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (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; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the City 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 City 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 City 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 State law, the City’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 City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (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 of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period by the type of asset and fund type invested, (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) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships

or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of business organization offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

INFORMATION RELATING TO THE TRUSTEE

The City has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Developer and its representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City or the Developer described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Source of Certain Information

The information contained in this Limited Offering Memorandum relating to the description of the Improvement Area #1 Improvements generally and, in particular, the information included in the sections captioned “PLAN OF FINANCE — Development Plan,” “— Status of Improvement Area #1,” “— Homebuilders and Status of Home Construction,” “— The Reimbursement Agreement,” and “— Phased Bonds,” “THE IMPROVEMENT AREA #1 IMPROVEMENTS,” “THE DEVELOPMENT,” “THE DEVELOPER,” “BONDHOLDERS’ RISKS” (only as it pertains to the Developer, the Improvement Area #1 Improvements and the Development), “LEGAL MATTERS — Litigation – The Developer,” “CONTINUING DISCLOSURE — The Developer” and “— The Developer’s Compliance with Prior Undertakings,” has been provided by the Developer, and the Developer warrants and represents that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

Experts

The 2019 Amended and Restated Service and Assessment Plan in this Limited Offering Memorandum was prepared by P3Works, LLC and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

DPFG, as Special Assessment Consultant, has been primarily responsible for drafting, on behalf of the City, the Service and Assessment Plan, including any annual updates, supplements and amendments thereto prior to 2018, and assisting in the preparation of the 2018 Addendum to the Service and Assessment Plan and the 2019 Amended and Restated Service and Assessment Plan, and the information regarding the 2019 Amended and Restated Service and Assessment Plan in this Limited Offering Memorandum has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by Paul Hornsby & Company, and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property. Paul Hornsby & Company has consented to the inclusion of the Appraisal herein.

The information regarding the Market Study in this Limited Offering Memorandum, which is subject to the assumptions, hypothetical conditions and qualifications set forth therein, has been provided by Economic & Planning Systems, Inc., and has been included in reliance upon the authority of such firm as experts in the field of real estate market studies. Economic & Planning Systems, Inc. has consented to the inclusion of the Market Study herein.

Updating of Limited Offering Memorandum

If, subsequent to the date of the Limited Offering Memorandum, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the City will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Limited Offering Memorandum will terminate when the City delivers the Bonds to the Underwriter, unless the Underwriter notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the City’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities

Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

AUTHORIZATION AND APPROVAL

The City Council has approved by ordinance the form and content of this Preliminary Limited Offering Memorandum and has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

CITY OF AUSTIN, TEXAS

Mayor

ATTEST:

City Clerk

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information has been provided for informational purposes only.

General Information

The City of Austin (the “City”), chartered in 1839, has a Council-Manager form of government under its home rule charter. The City Council is composed of a Mayor who is elected at large and 10 Councilmembers who are elected by geographic districts, all of whom serve four-year staggered terms subject to a maximum of two terms. A petition signed by 5% of the registered voters will waive the term limit for a member of the City Council. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees and administration of all City affairs.

The City, which is the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation, with, according to the City’s estimates, a September 2018 population of 963,797. Over the past ten years, Austin’s population has increased by approximately 25.1%, or 193,501 residents. Geographically, the City consists of approximately 326 square miles. The current estimated median household income for residents of the City is \$63,191 according to Nielsen Site Reports. The City’s per capita income is estimated to be \$57,600 based on analysis of the Bureau of Economic Analysis information.

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 49% of adults twenty-five years or older holding a bachelor’s or advanced degree, compared to 29% for Texas and 31% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the seventh largest public university in the nation, is known as a world-class center of education and research and was ranked 15th among public universities in the 2018 U.S. News and World Report Best Colleges survey of undergraduate programs.

The City is nationally recognized as a great place to live due in part to its diverse, educated and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. The City draws its special character from its physical setting along the Balcones Escarpment, wedged between coastal plains and dramatic cliffs, canyons, and juniper-carpeted rolling hills. Austin’s quality of life has become a critical economic development engine, and the City’s diverse demographic structure serves to support and enrich its quality of life.

Historical Employment in the City (Average Annual)

The City of Austin

	Average Annual				
	2018	2017	2016	2015	2014
Civilian Labor Force	599,854	572,348	554,495	536,573	527,919
Total Employed	584,814	555,738	537,404	520,552	508,331
Total Unemployed	15,040	16,610	17,091	16,021	19,588
Unemployment Rate	2.5%	2.9%	3.1%	3.0%	3.7%

Source: Texas Workforce Commission.

Ten Largest Employers in the City (As of September 30, 2018)

The ten largest employers in the City are set forth in the table below.

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	Government	37,890
The University of Texas at Austin	Education	23,925
City of Austin	Government	14,038
HEB Grocery	Grocery/Retail	13,756
Dell Computer Corporation	Computers	13,000
Federal Government	Government	13,000
Austin Independent School District	Education	11,379
St. David's Healthcare Partnership	Healthcare	10,309
Seton Healthcare Network	Healthcare	9,947
Samsung Austin Semiconductor	Semiconductor	8,935

Source: The City's 2018 Comprehensive Annual Financial Report.

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APPENDIX B
FORM OF INDENTURE

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APPENDIX C

FORM OF 2019 AMENDED AND RESTATED SERVICE AND ASSESSMENT PLAN

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APPENDIX D
FORM OF OPINION OF BOND COUNSEL

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APPENDIX E-1

FORM OF DISCLOSURE AGREEMENT OF THE ISSUER

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APPENDIX E-2

FORM OF DISCLOSURE AGREEMENT OF THE DEVELOPER

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APPENDIX F
APPRAISAL OF BOND ASSESSED PARCELS

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APPENDIX G

FINANCING AGREEMENT AND
FORM OF FIRST AMENDMENT TO THE FINANCING AGREEMENT

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APPENDIX H
MARKET STUDY

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