

VI.

Consider and take appropriate action with respect to “Resolution Approving Preliminary Official Statement and authorizing distribution of such preliminary official statement relating to Avery Ranch Road Dist. #1 Unlimited Tax Road Bonds, Series 2003.”

Moved: **Commissioner Boatright**

Seconded: **Commissioner Limmer**

Motion: To approve the “Resolution Approving Preliminary Official Statement and authorizing distribution of such preliminary official statement relating to Avery Ranch Road Dist. #1 Unlimited Tax Road Bonds, Series 2003.”

Vote: **3 – 0**

< Attachment >

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
AVERY RANCH ROAD DISTRICT NO. 1 §

We, the undersigned Commissioners Court, as the governing body of Avery Ranch Road District No. 1 (the "District"), hereby certify as follows:

1. The District convened in REGULAR MEETING ON THE 4TH DAY OF MARCH, 2003, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the governing body, to wit:

John Doerfler - County Judge
 Mike Heiligenstein - County Commissioner, Precinct 1
 Greg Boatright - County Commissioner, Precinct 2
 David Hays - County Commissioner, Precinct 3
 Frankie Limmer - County Commissioner, Precinct 4

and all of said persons were present, except the following absentees: Heiligenstein and Hays, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**RESOLUTION APPROVING PRELIMINARY OFFICIAL STATEMENT AND
 AUTHORIZING DISTRIBUTION OF SUCH PRELIMINARY OFFICIAL STATEMENT
 RELATING TO AVERY RANCH ROAD DISTRICT NO. 1 UNLIMITED TAX ROAD
 BONDS, SERIES 2003**

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

AYES: 3

NOES: 0

2. A true, full and correct copy of the aforesaid Resolution passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Resolution has been duly recorded in the District's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the District's minutes of the Meeting pertaining to the passage of the Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the governing body as indicated therein; that each of the officers and members of the governing body were duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and

that the Resolution would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended.

SIGNED AND SEALED this _____.

Dorothy E. Rister
County Clerk

John C. Daifler
County Judge

(SEAL)



**RESOLUTION APPROVING PRELIMINARY OFFICIAL STATEMENT AND
AUTHORIZING DISTRIBUTION OF SUCH PRELIMINARY OFFICIAL STATEMENT
RELATING TO AVERY RANCH ROAD DISTRICT NO. 1 UNLIMITED TAX ROAD
BONDS, SERIES 2003**

WHEREAS, the Avery Ranch Road District No. 1 (the "District") has authorized the District's financial advisor, First Southwest Company (the "Financial Advisor"), to prepare a Preliminary Official Statement, for the District's Unlimited Tax Road Bonds, Series 2003 (the "Bonds"); and

WHEREAS, the Commissioners Court, acting in its role as the governing body of the District, deems it appropriate to approve the Preliminary Official Statement and authorize the distribution of the Preliminary Official Statement as further set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS COURT OF WILLIAMSON COUNTY, TEXAS THAT:

Section 1. APPROVAL AND DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENT. The Commissioners Court, acting in its role as the governing body of the District, hereby approves the Preliminary Official Statement substantially in the form attached hereto as Exhibit "A" with such changes, additions or deletions as directed by the Commissioners Court. The District's Financial Advisor is hereby authorized and directed to distribute the Preliminary Official Statement and to do all things necessary to market the Bonds including making application for ratings and bond insurance.

Section 2. OTHER MATTERS. The County Judge is authorized to do all things proper and necessary to carry out the intent hereof, including the approval of appropriate changes to the Preliminary Official Statement.

*approved 3-4-03
John C. Daefler*

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

Dated March 4, 2003

Non-Rated

NEW ISSUE -- Book-Entry-Only

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations. SEE "TAX MATTERS."

THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,620,000*

AVERY RANCH ROAD DISTRICT NO. 1

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

UNLIMITED TAX ROAD BONDS, SERIES 2003

The bonds described above (the "Bonds") are general obligations of Avery Ranch Road District No. 1 (the "District") secured solely by ad valorem taxes levied on property within the District and are not obligations of the State of Texas, Williamson County or any entity other than the District.

Dated: March 1, 2003

Due: August 15, as shown on the inside cover

The \$4,620,000* Avery Ranch Road District No. 1, Unlimited Tax Road Bonds, Series 2003 (the "Bonds") will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will accrue from March 1, 2003, and will be payable on August 15, 2003 and on each February 15 and August 15 thereafter ("Interest Payment Date"), until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., as the nominee of DTC, which will make distribution of the amounts so paid to participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS -- Book-Entry-Only System" herein). The initial Paying Agent/Registrar is JPMorgan Chase Bank, Dallas, Texas.

MATURITY SCHEDULE

See Inside Cover Page

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

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

The Bonds are offered, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Andrews & Kurth L.L.P., Austin, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about March 27, 2003.

MORGAN KEEGAN & CO., INC.

*Preliminary, subject to change.

MATURITY SCHEDULE ^(a)

<u>Amount</u>	<u>Maturity</u> <u>August 15</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Numbers ⁽¹⁾</u>
\$ 155,000	2006			
165,000	2007			
175,000	2008			
185,000	2009			
195,000	2010			
205,000	2011			
215,000	2012			
230,000	2013			
240,000	2014			
255,000	2015			
265,000	2016			
280,000	2017			
300,000	2018			
315,000	2019			
330,000	2020			
350,000	2021			
370,000	2022			
390,000	2023			

\$ _____ % Term Bond Due August 15, 20____ at a Price of _____ % to Yield _____ % -
\$ _____ % Term Bond Due August 15, 20____ at a Price of _____ % to Yield _____ % -

(Plus Accrued Interest from March 1, 2003)

(a) The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption Provisions". Preliminary, subject to change.
(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

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USE OF INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT

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

This Preliminary Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Preliminary Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from First Southwest Company, the District’s financial advisor (the “Financial Advisor”), 98 San Jacinto Blvd., Suite 370, Austin, Texas 78701, for further information.

This Preliminary Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Preliminary Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Preliminary Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in “PREPARATION OF PRELIMINARY OFFICIAL STATEMENT - Updating of Preliminary Official Statement” and “CONTINUING DISCLOSURE OF INFORMATION”.

SALE AND DISTRIBUTION OF THE BONDS**Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of Underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS WITH RESPECT TO THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

Municipal Bond Rating

The District has not made application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

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PRELIMINARY OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by more detailed information appearing elsewhere in this Preliminary Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

The Bonds

<i>Description...</i>	Avery Ranch Road District No. 1 Unlimited Tax Road Bonds, Series 2003, in the aggregate principal amount of \$4,620,000* maturing as Serial Bonds on August 15, 2006 through and including August 15, 2023 and as a Term Bond maturing August 15, 20____, in the principal amount set forth on the inside cover page. See "THE BONDS – Description".
<i>Redemption...</i>	Bonds maturing on and after August 15, 2014 are subject to redemption at the option of the District prior to their maturity dates on August 15, 2013, or on any date thereafter at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bond maturing August 15, 20____ is subject to mandatory redemption. See "THE BONDS – Redemption Provisions".
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to reimburse the Developer for costs incurred in connection with the construction of approximately 4 miles of a four lane divided road located within the District generally known as Avery Ranch Boulevard (the "Road"). In addition, proceeds of the Bonds will be used to fund approximately 24 months of capitalized interest and pay the costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS".
<i>Authority for Issuance...</i>	The Bonds are issued pursuant to an election held within the District on May 5, 2001, the Bond Order, the Texas Constitution and the general laws of the State of Texas, including Chapter 257, Texas Transportation Code, as amended, and Chapter 1471, Texas Government Code, as amended. See "INVESTMENT CONSIDERATIONS - Future Debt," and "THE BONDS - Authority for Issuance", and "- Issuance of Additional Debt".
<i>Source and Security for Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are not secured by any other source. The Bonds are general obligations of the District and are not obligations of Williamson County, the State of Texas or any entity other than the District. See "THE BONDS - Source of Payment".
<i>Qualified Tax-Exempt Obligations...</i>	The District expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt obligations, including the Bonds, issued by it during calendar year 2003 is not reasonably expected to exceed \$10,000,000 and that it has not designated more than \$10,000,000 of qualified tax exempt obligations (including the Bonds) during calendar year 2003. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions".
<i>Bond Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
<i>Financial Advisor...</i>	First Southwest Company, Austin, Texas.
<i>Underwriter's Counsel...</i>	Andrews & Kurth L.L.P., Austin, Texas.
<i>Paying Agent/Registrar...</i>	JPMorgan Chase Bank, Dallas, Texas.

*Preliminary, subject to change.

Investment Considerations... THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS".

The District

Description... The District was created on February 27, 2001 by order of the Williamson County Commissioners Court and confirmed by the District's sole voter on May 5, 2001. At creation, the District encompassed approximately 1,547 acres of land. See "THE DISTRICT".

Location... The District is entirely within Williamson County, Texas (the "County"). Parmer Lane bisects the District north-south, and the Road, when completed, will bisect the District east-west. Avery Ranch is generally located approximately 17 miles north of Austin's central business district, directly southeast of the City of Cedar Park, and approximately 3 miles west of the City of Round Rock, and Avery Ranch is generally bounded by Brushy Creek Road to the north, the City of Cedar Park and U.S. Highway 183 to the west, other residential development and undeveloped land to the south, and the Fern Bluff Municipal Utility District and single-family residential development to the east. See "THE DISTRICT".

District... On May 5, 2001, the sole voter in the District approved (1) the designation of the District; (2) \$17,000,000 aggregate principal amount of Avery Ranch Road District No. 1 Unlimited Tax Road Bonds for the District; and (3) the levy of an unlimited ad valorem tax upon the taxable property located within the District to pay such bonds. To date, the District has issued \$6,425,000 of the bonds authorized at such election. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the District. See "THE DISTRICT", and "FINANCIAL INFORMATION CONCERNING THE DISTRICT - Estimated Overlapping Taxes".

The District is comprised of approximately 1,547 acres of the master planned community known as Avery Ranch to be developed as single-family, multi-family and commercial development. Approximately 932 acres are located within the corporate limits of the City of Austin and 615 acres are in the extraterritorial jurisdiction of the City of Austin and are expected to be annexed in stages as Avery Ranch is developed. Approximately 605 acres within the District lie within the Round Rock Independent School District, and approximately 942 acres lie within the Leander Independent School District.

Development Within the District... As of December 31, 2001, 0.67 miles of the Road have been completed to the west of Parmer Lane, and 2.5 miles are completed east of Parmer Lane. Approximately 1 mile of Road is under construction to the west of Parmer Lane extending from the point of the completed section of Road. The Road, when completed, will be approximately 4 miles long. Completion of the Road is expected to occur by Spring 2003. A comparison of the home construction and sales within the District from 2001 to 2002 is as follows:

	<u>2001</u>	<u>2002</u>
Completed Homes	111	551
Completed Homes sold to Purchasers	95	519
Total Contracts (exclusive of homes sold)	105	136
Homes Under Construction (but not sold)	176	111

See "THE DISTRICT," "THE DEVELOPERS" and "THE HOMEBUILDERS".

<i>The Developers...</i>	Land in the District is being developed by (i) Continental Homes of Texas, L.P., a Texas limited partnership doing business as Milburn Homes, a wholly owned subsidiary of D.R. Horton, Inc. ("Continental"), (ii) Developers of Avery Ranch, Ltd., a Texas limited partnership ("DAR"), and (iii) Rathgeber Investment Company, Ltd., a Texas limited partnership ("Rathgeber" and together with Continental and DAR, collectively, the "Developers"). Continental is the largest homebuilder in the Austin, Texas market (based on number of units sold in 2001). D.R. Horton, Inc., its parent company, is one of the two largest homebuilders in the country. DAR was formed in 1999 for the specific purpose of acquiring and developing land in Avery Ranch. The general partner of DAR is RWR Development Company, L.L.C., a limited liability company, and the limited partners are Edward R. Rathgeber, Jr., Robert D. Wunsch, and Ross Rathgeber. Rathgeber was formed in 1998, and is one of the two joint venture partners in Pebble Creek Joint Venture, the largest landowner in Avery Ranch. The general partner of Rathgeber is Rathgeber Investment GP, Inc., and the limited partners are Edward R. Rathgeber, Jr., Sara Ross Rathgeber, and Rathgeber Family Partnership. See "THE DEVELOPERS".
<i>Payment Record...</i>	The Bonds represent the second issuance of debt by the District. The District has not defaulted on any previously issued bonds.
<i>Overlapping District Taxes...</i>	For the 2002 tax year, the District has levied a debt service tax rate of \$0.2750 per \$100 of assessed valuation on all taxable property located within the District. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Estimated Overlapping Taxes".

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

Estimated Taxable Assessed Valuation of the District as of January 1, 2003 ^(a)	\$ 176,009,789 (a)
Gross Direct Long-Term Debt Outstanding of the District	\$ 11,045,000 (b)
Estimated Overlapping Debt of the District	<u>11,429,505</u>
Gross Direct Long-Term Debt and Estimated Overlapping Debt.....	\$ 22,474,505
Ratio of Preliminary Gross Long-Term Debt of the District to:	
Estimated Taxable Assessed Valuation of the District as of January 1, 2003	6.28%
Ratio of Gross Long-Term Debt of the District and Estimated Overlapping Debt to:	
Estimated Taxable Assessed Valuation of the District as of January 1, 2003	12.77%
Funds Available for Debt Service:	
Bond Fund Balance as of 2-24-03 (excluding capitalized interest on the Bonds)	\$ 334,344
Average Annual Debt Service Requirement (2003-2023).....	\$ 900,098 (b)
Maximum Annual Debt Service Requirement (2013).....	\$ 969,658 (b)
2002 District Debt Service Tax Rate.....	<u>\$0.2750(c)</u>
Total	\$0.2750
Tax Rate Required to Pay Average Annual Debt Service (2003-2023) at 95% Collection Rate	
Based Upon the 2003 Preliminary Taxable Assessed Valuation of the District	\$ 0.5383(d)
Tax Rate Required to Pay Maximum Annual Debt Service (2013) at 95% Collection Rate	
Based Upon the 2003 Preliminary Taxable Assessed Valuation of the District	\$ 0.5799(d)
Status of Development within Avery Ranch as of December 31, 2002	
Total Completed Homes	551
Homes Under Construction.....	111
Total Completed Homes Sold	519
Vacant Developed Lots	537
Lots Under Construction.....	242
Undeveloped Acreage (developable)	591
Undeveloped Acreage (undevelopable)	150.2
Estimated Population as of December 31, 2002.....	1,817 (e)

- (a) Williamson County Appraisal District preliminary value for all taxable property located within the District as of January 1, 2003. No tax will be levied on such amount unless it is certified by the Appraisal District. See "TAXING PROCEDURES". The final certified Taxable Assessed Valuation of property in the District for the 2002 tax year was \$99,596,655.
- (b) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT - Debt Service Requirements".
- (c) The District is not authorized to levy a maintenance and operation tax.
- (d) The District levied its first debt service tax in 2002 and therefore it has no tax collection history.
- (e) Based upon 3.5 residents per completed single-family residence, excluding 11 model and spec homes.

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PRELIMINARY OFFICIAL STATEMENT**\$4,620,000*****AVERY RANCH ROAD DISTRICT NO. 1***(A political subdivision of the State of Texas located within Williamson County)***UNLIMITED TAX ROAD BONDS, SERIES 2003**

This Preliminary Official Statement provides certain information in connection with the issuance by Avery Ranch Road District No. 1 (the "District") of its \$4,620,000* Unlimited Tax Road Bonds, Series 2003 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, including Chapter 257, Texas Transportation Code, as amended, Chapter 1471, Texas Government Code, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Preliminary Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District and the Developers. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from First Southwest Company (the "Financial Advisor") at 1700 Pacific Avenue, Suite 500, Dallas, Texas 75201.

THE BONDS**Description**

Avery Ranch Road District No. 1 Unlimited Tax Road Bonds, Series 2003, in the aggregate principal amount of \$4,620,000* maturing as Serial Bonds on August 15, 2006 through and including August 15, 2023 and as a Term Bond maturing on August 15, 20____ in the principal amount set forth on the inside cover page. The Bonds will be dated and accrue interest from March 1, 2003, and interest will be payable on August 15, 2003 and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360 day year consisting of twelve 30-day months. The Bonds will be issued pursuant to the Bond Order, in fully registered form only, in denominations of \$5,000 of principal amounts or any integral multiple thereof and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

Defeasance

General. The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar may at the discretion of the District also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times set forth in the Bond Order and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District.

*Preliminary, subject to change.

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

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

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

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

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

Book-Entry-Only System

General. This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriter and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District 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 (as defined herein), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Bonds, as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is

the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, printed certificates for the Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, printed certificates for the Bonds will be printed and delivered. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Purchasers.

So long as Cede & Co. is the Registered Owner of the Bonds, the District will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants or Indirect Participants, or the persons for which they act as nominees.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Commissioner's Court covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax.

The Bonds are obligations of the District secured solely by an annual ad valorem tax levied, without legal limitations as to rate or amount, on property located within the District and are not the obligations of the State of Texas; Williamson County, Texas; or any entity other than the District as described herein.

Redemption Provisions

Optional Redemption. The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2014, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2013 or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of such Bonds are redeemed at any time, the maturities of such Bonds to be redeemed shall be selected by the District. The Paying Agent/Registrar (or DTC while the Bonds are in book-entry-only form) shall determine by lot the Bonds, or portion thereof, within such maturity to be redeemed.

Mandatory Sinking Fund Redemption. In addition to being subject to optional redemption, as provided above, the Bonds maturing on August 15, 20__ are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<u>Bonds Maturing August 15, 20__</u>	
<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>
August 15, 20	
August 15, 20	

*Stated Maturity

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

Notice of Redemption. At least 30 calendar days prior to the date fixed for any optional redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial journal or publication of general circulation in the City of New York, New York or in the City of Austin, Texas. Notice shall also be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the owner of record ("Registered Owner") of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

DTC Redemption Provisions

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

Authority for Issuance

The Bonds are issued pursuant to the election held within the District on May 5, 2001, the Bond Order, the Texas Constitution, and general laws of the State of Texas, including Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep a register of owners (the "Register") at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the designated payment/transfer office of the Paying Agent/Registrar, initially in Dallas, Texas (the "Designated Payment/Transfer Office"), duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and accruing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond so delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the fifteen (15) day period next preceding any interest payment date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Record Date

The record date for payment of the interest on the Bonds on any regularly scheduled interest payment date is the last day of the month (whether or not a business day) preceding such interest payment date.

Replacement of Paying Agent/Registrar

Provision are made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

Upon the presentation and surrender to the Designated Payment/Transfer Office of the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation and an indemnity bond from the Registered Owner, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

The sole voter within the District authorized the issuance of \$17,000,000 of Unlimited Tax Road Bonds for the purpose of constructing, reimbursing for the costs of constructing, acquiring by purchase, maintaining and operating macadamized, graveled or paved roads and turnpikes and related bridges, drainage works and other similar facilities. To date, the District has issued \$6,425,000 of such unlimited tax bonds. Following the issuance of the Bonds, the District will have \$5,955,000 of such unlimited tax bonds authorized but unissued.

Remedies in Event of Default

The Bond Order provides that, in addition to all other rights and remedies of any Registered Owner provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. The Bonds are not rated. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

Specific Tax Covenants

In the Bond Order the District has covenanted 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, and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Amendments to Bond Order

The District may without the consent of or notice to any Registered Owner amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developers for costs incurred to construct the Avery Ranch Boulevard (the "Road"), and to pay costs of issuance of the Bonds. The construction costs below are actual costs incurred by the Developers in the construction of the Road, and related improvements through December 31, 2002. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

CONSTRUCTION COSTS

A.	Road Construction Costs	\$	3,064,851
B.	Engineering and Design Costs.....		142,629
C.	Landscape.....		<u>717,520</u>
TOTAL CONSTRUCTION COSTS		\$	3,925,000

NON-CONSTRUCTION COSTS

A.	Legal Fees	\$	63,700
B.	Financial Advisory Fees		57,750
C.	Interest Costs:		
	1. Capitalized Interest (24 months).....		461,910
D.	Bond Discount		83,160
E.	Other Bond Issuance Expenses		26,000
F.	Contingencies.....		<u>2,480</u>
Total Non-Construction Costs.....		\$	695,000
TOTAL BOND ISSUE REQUIREMENT.....		\$	4,620,000 *

*Preliminary, subject to change.

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THE DISTRICT

Creation and Abolishment of the District

Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code (collectively, the "Act") allow a commissioners court of a county to establish one or more road districts in such county. Such road district is a political subdivision and a body corporate of the State of Texas. The District was created by order of the Commissioners Court of Williamson County on February 27, 2001, in accordance with the Act and pursuant to Article III, Section 52 of the Texas Constitution. Desiring to issue bonds in order to obtain permanent financing for the Road, the sole voter in the District presented a petition to the Commissioners Court on February 5, 2001, asking the Court to set a public hearing to consider calling an election to determine whether the District should issue bonds and whether taxes should be levied on all taxable property within the District for the payment of such bonds.

On February 27, 2001, the Commissioners Court determined that the Road would be for the benefit of all taxable property situated in the District and ordered an election to be held within the District on May 5, 2001. At the election the voter voting at the election cast his ballot in favor of the issuance of \$17,000,000 aggregate principal amount of unlimited tax road bonds, including the Bonds.

Pursuant to the Act, the District may be abolished by order of the Commissioners Court when it has paid off and discharged the debt of all the bonds issued and sold by the District, or when such bonds have been assumed and exchanged for county bonds under the compensation bond statutes, and in the opinion of the Commissioners Court, the District has become dormant and there exists no further necessity for the District.

In accordance with the Act, and Article III, Section 52 of the Texas Constitution, bonded debt of the District cannot exceed one-fourth of the net taxable assessed valuation of the real property of the District. After the issuance of the Bonds, the amount of total bonded debt of the District will equal 6.28% of the January 1, 2003, estimated assessed valuation of all real property in the District and 11.09% of the January 1, 2002, certified assessed valuation of all real property in the District.

District Purpose

Pursuant to the Act and the election held within the District on May 5, 2001, the District is authorized issue bonds in an amount not to exceed \$17,000,000 for the purpose of constructing, reimbursing for the costs of constructing, acquiring by purchase, maintaining and operating macadamized, graveled or paved roads and turnpikes and related bridges, drainage works and other similar facilities. The main purpose of the District is to construct the Road which is a four lane divided road with asphalt and concrete curbs which runs east to west the entire length of the District and provides access throughout the District as well as connecting Parmer Lane to Ranch Road 620.

The Road is being constructed in segments over time as development within the District warrants. Approximately .67 miles of the Road are complete to the west of Parmer Lane and 2.5 miles are complete to the east of Parmer Lane. Approximately 1 mile of Road is under construction to the west of Parmer Lane extending from the point of the completed section of the Road. All contracts involving the construction of the Road were competitively bid in accordance with County bidding laws and were approved by the Williamson County Commissioners Court. Additionally, the Road has been designed and constructed in accordance with the criteria of various regulatory agencies including Williamson County and the City of Austin, Texas.

District Supervision

The policy-making and supervisory functions of the District are the responsibility of and are vested in the Commissioners Court of Williamson County. The Commissioners Court serve four-year staggered terms and are elected by the resident and qualified electors of their respective precincts. The County Judge serves for a four-year term and is elected by all of the resident and qualified voters of the County. Various supporting services are provided by independent consultants and advisors. The District does not expect to have any employees.

The District is located in Precincts 2 and 3 within the County. The Williamson County Appraisal District will assess the value of all taxable property within the District in the same manner as it assesses property values on all other taxable property located in the County. See "TAXING PROCEDURES."

The Tax Assessor/Collector of the County will collect the taxes on the taxable property within the District in the same manner as he or she collects other taxes and when so collected the Tax Assessor/Collector shall pay those taxes to the County Treasurer.

The County Treasurer of the County is custodian of all taxes collected and with regard to taxes collected on behalf of the District shall deposit them in the County Treasury to the credit of the District in accordance with the Bond Order. The County Treasurer shall promptly pay the interest and principal as it becomes due on the Bonds out of the funds collected and deposited for that purpose.

General Description

At creation, the District encompassed approximately 1,547 acres of land. The District is located in the City of Austin and in the extraterritorial jurisdiction of the City of Austin, all in Williamson County, Texas (the "County"). Parmer Lane bisects the District north-south, and the Road, when completed, will bisect the District east-west. Approximately 932 acres within the District are in the municipal jurisdiction of the City of Austin, Texas. The remaining property in the District, approximately 615 acres, lies wholly within the extraterritorial jurisdiction of the City of Austin, Texas. Approximately 605 acres within the District lie within the Round Rock Independent School District, and approximately 942 acres lie within the Leander Independent School District.

The District encompasses virtually all of the master planned community known as Avery Ranch. Avery Ranch consists of approximately 1,630 acres of land, including approximately 932 acres located within the City of Austin. Avery Ranch is generally located approximately 17 miles north of Austin's central business district, directly southeast of the City of Cedar Park, and 3 miles west of the City of Round Rock, and Avery Ranch is generally bounded by Brushy Creek Road to the north, the City of Cedar Park and U.S. Highway 183 to the west, other residential development and undeveloped land to the south, and the Fern Bluff Municipal Utility District and single-family residential development to the east.

All of the land within the District is part of the "Avery Ranch PUD", a planned unit development approved by the City of Austin on April 24, 2000 (the "PUD"). Approximately 1,089 acres of Avery Ranch within the District is designated under the PUD for single-family residential development (called "Mixed Density Residential" under the PUD), approximately 56.4 acres of Avery Ranch within the District are designated for commercial development (called "Neighborhood Commercial" and "Community Commercial" under the PUD), and approximately 35.87 acres are designated for multi-family development. In addition, approximately 226 acres are being developed as "The Golf Club at Avery Ranch", which will include an 18-hole public golf course (completed and opened during the Summer of 2002), a clubhouse situated on approximately 6 acres, and other amenities. Approximately 438.7 acres of the total 1,547 acres have received final plat approval from the City of Austin. The remaining property is subject to platting approval in accordance with development guidelines provided from time to time under City of Austin or State of Texas regulations and the PUD. The ultimate buildout of the entire 1,547 acres, as currently planned, is expected to contain approximately 3,800 to 4,000 single-family residential homes in addition to commercial and multi-family residential development.

Consultants

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

Tax Appraisal: The Williamson Central Appraisal District ("Appraisal District") has the responsibility of appraising all property within the District.

Tax Assessor/Collector: The Williamson County Tax Assessor and Collector collects ad valorem taxes in the District.

Financial Advisor: The District has engaged First Southwest Company as financial advisor. The fees for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

Bond Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P. as bond counsel. The fees for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

History and Status of Development

Continental Homes

Avery Ranch West Phase I - As of December 31, 2002, Continental completed development of Avery Ranch West, Phase I, containing approximately 74.406 acres of land subdivided into 262 single-family residential lots.

Avery Ranch West Phase II - As of December 31, 2002, Continental completed development of Avery Ranch West Phase II, containing approximately 58.816 acres of land subdivided into 221 single-family residential lots;

Avery Ranch FAR West Phase I-1 - As of December 31, 2002, Continental commenced development of Avery Ranch FAR West Phase I-1, containing approximately 48.61 acres of land subdivided into 107 single-family residential lots, plus plans for townhome lots and a satellite amenity center.

Avery Ranch East Phase II - As of December 31, 2002, Continental developed Avery Ranch East, Phase II, containing approximately 106.71 acres of land subdivided into 323 single-family residential lots;

In total, Continental sold 95 homes as of December 31, 2001, with another 105 homes under contract (exclusive of closings). As of December 31, 2002, Continental sold 378 homes with another 59 under contract (exclusive of closings) for an increase of 283 sold homes for the calendar year 2002. In addition, the table below shows the activity by Continental and the other builders from inception through December 31, 2002.

DAR

Morningside - As of December 31, 2002, RH of Texas, Ltd. ("Ryland") completed construction of 165 lots in Avery South Section One, Phase One (56.328 acres). In addition, during 2002 Ryland commenced construction on another 135 lots in Avery South Section One, Phase Two (46.472 acres). Construction was nearing completion in Section One, Phase Two as of December 31, 2002. DAR also submitted a preliminary plan for City of Austin processing in 2002 for 162 lots in Avery South, Section Two, Phase One (approximately 55.115 acres).

Creekside - As of December 31, 2002, DAR completed construction of 128 lots in Creekside at Avery Ranch (48.528 acres).

Champions - As of December 31, 2002, DAR completed construction of 52 developed lots (30.210 acres).

Brookside - As of December 31, 2002, DAR completed construction of 154 single family lots (a total 63.679 acres). It has an additional 230 lots in City of Austin processing for development.

Enclave - As of December 31, 2002, DAR has 66 single-family lots under construction (approximately 14.911 acres). Construction is scheduled to be completed by June 2003.

The Reserve - As of December 31, 2002, DAR has a 22 site upscale condominium development in City of Austin processing. The site is 12.022 acres. Construction will commence based on market demands.

According to representations of Continental and DAR, the homebuilders are currently constructing homes in the District which range in size from approximately 1,298 to 6,000 square feet of living area and range in sales price from approximately \$141,700 to \$800,000. The homebuilders may elect to change the size and types of homes that they build, subject to any required approval of the Architectural Control Committee of the Avery Ranch Owners Association, Inc. or the architectural control committee of any sub-association. See "THE HOMEBUILDERS."

In addition to the projected completed development of over 4,000 single-family home lots, development of the District includes or is expected to include the following projects: 226 acre, 18-hole golf course (the "Golf Course") and related amenities (including a 15 acre driving range with chipping, putting, and bunker areas), including a 6,500 square foot clubhouse and 3,000 square foot pavilion; Round Rock Independent School District elementary school on approximately 13.5 acres; a community center consisting of a 25 meter swimming pool and two other pools, a playscape and park area, five tennis courts, a basketball court, two volleyball courts, picnic area; and four satellite amenities centers, each with a pool and other improvements, of approximately 1 to 3 acres each. In addition, there is expected to be approximately 116 acres of hike-and-bike trails, parks and greenspace within the community. See "THE DEVELOPERS."

The table below outlines builder activity from inception through December 31, 2002.

	Drees Custom Homes	Hammonds Homes	Continental/ Milburn Homes	Morrison Homes	Ryland Homes	Wilshire Homes	Total
Total Completed Homes (c/o issued)	13	3	398	35	97	5	551
Total Completed Homes Sold (closings)	12	2	378	29	95	3	519
Homes Under Construction	14	5	39	14	24	15	111
(exclusive of completed homes with c/o's)							
Total Contracts (exclude of homes sold)	10	9	59	15	27	16	136

THE DEVELOPERS

General

The activities of a developer in a road district such as the District may include purchasing the land within the road district; coordinating the design of the subdivision; coordinating the design of the utilities and streets to be constructed in the subdivision; coordinating the design of 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 the improvements within the subdivisions, including water, wastewater, and drainage facilities, as well as gas, telephone, cable television, and electric service; and selling improved lots and commercial reserves to homebuilders, other developers, or other third parties. The relative success or failure of a developer to perform such activities will have a profound effect on the security of the bonds issued by the District. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within the district during the development phase of the property. The developers of land within the District are (i) Continental Homes of Texas, L.P., a Texas limited partnership doing business as Milburn Homes, a wholly owned subsidiary of D.R. Horton, Inc. ("Continental"), (ii) Developers of Avery Ranch, Ltd., a Texas limited partnership ("DAR"), and (iii) Rathgeber Investment Company, Ltd., a Texas limited partnership ("Rathgeber" and together with Continental and DAR, collectively, the "Developers"). In addition, approximately 226 acres is being developed as the "Avery Ranch Golf Club" by The Golf Club at Avery Ranch, Ltd., a Texas limited partnership ("GCAR"). Almost all of the land in the District which has not been acquired by the Developers (or by a homebuilder or homebuyer from one of the Developers) is owned by Pebble Creek Joint Venture, a Texas joint venture ("Pebble Creek").

Description of Pebble Creek, the Developers, and GCAR

Pebble Creek is a Texas joint venture formed in 1998 to acquire portions of the Avery Ranch. The two venture partners in Pebble Creek are Rathgeber and Butler Development Company, Ltd., a Texas limited partnership ("Butler Development"). The general partner of Butler Development is Butler Broadcast Management, Inc. Pebble Creek is an owner of portions of Avery Ranch, not a developer.

Continental is a Texas limited partnership and wholly owned subsidiary of D.R. Horton, Inc., and operates in the Austin, Texas market under the name "Milburn Homes". D.R. Horton, Inc. is a NYSE-listed company (DHI) founded in Fort Worth, Texas in 1978. The company is active in development and homebuilding through 46 operating divisions and in 39 individual markets. D.R. Horton has over \$1 billion in stockholders' equity. In the Austin market, Continental is the largest homebuilder (based on number of units sold), with home sales of 1,471 in 1998, 1,682 in 1999, 1,642 in 2000, 1,425 in 2001, and 1,620 in 2002.

Rathgeber Investment Company, Ltd. (Rathgeber) is a Texas limited partnership formed in 1998 by Edward R. Rathgeber, Jr., for the initial primary purpose of acquiring land in the Avery Ranch through Pebble Creek. The general partner of Rathgeber is Rathgeber Investment GP, Inc. Edward R. Rathgeber, Jr. is the President of Rathgeber Investment GP, Inc. and one of the principals primarily responsible for the development of Avery Ranch in that capacity. Mr. Rathgeber has over forty years of experience in developing real estate in Austin, Texas. The limited partners of Rathgeber are Edward R. Rathgeber, Jr., Sara Ross Rathgeber, and Rathgeber Family Partnership.

Developers of Avery Ranch, Ltd. (DAR) is a Texas limited partnership formed in 1999 for the express purpose of developing those portions of Avery Ranch not being acquired and developed by Continental. The general partner of DAR is RWR Development Company, L.L.C. The limited partners of DAR are Robert D. Wunsch, Edward R. Rathgeber, Jr., and Ross Rathgeber.

In July, 1998, Pebble Creek purchased approximately 1,501 acres of the Avery Ranch. The venture partners in Pebble Creek are Rathgeber and Butler Development.

In August, 1999, Continental acquired 182.12 acres of Avery Ranch, and Rathgeber acquired 168.05 acres of Avery Ranch. The seller on both transactions was Avery Ranch Company Ltd. and Charles Needham Avery, III, Trustee for the Exemption Equivalent Trust created under the will of Charles Needham Avery, Jr., Deceased (collectively, the "Avery Family"). The land acquired by Continental from the Avery Family is sometimes referred to as "Milburn Avery East". Continental also has a contract with Pebble Creek, pursuant to which Continental was granted an option to acquire most of the land in Avery Ranch west of Farmer Lane (sometimes referred to as "Milburn Avery Far West I-I"). Continental has since acquired 133.223 acres of Milburn Avery West as of December 31, 2001 and 53.53 acres of Milburn Avery West as of December 31, 2002.

In September, 2000, GCAR acquired 225.89 acres of Avery Ranch from Pebble Creek for the construction of the Golf Course and related amenities and improvements, including a clubhouse and driving range. The Golf Course and related amenities were completed in 2002 and were open for business to the public.

After such acquisitions, Pebble Creek, Continental, Rathgeber, and GCAR owned all of the land in Avery Ranch, save and except a two acre tract, which is owned by the Avery Family.

Those portions of the Avery Ranch which were acquired by Pebble Creek, Continental, and Rathgeber are, in the aggregate, larger than the District. Such portions which are not included in the District are either public parkland (or property that is expected to be dedicated as public parkland) and a 15 acre tract acquired by the Protestant Episcopal Church Council of the Diocese of Texas.

STATUS OF ACQUISITION AND DEVELOPMENT LOANS

Pebble Creek

Pebble Creek acquired its portion of Avery Ranch through capital of Pebble Creek and two loans and a contingency payment agreement. The first loan was evidenced by a note (the "Watt Purchase Note") in the amount of \$4,900,000, dated July 31, 1998, executed by Pebble Creek, and payable to the order of Neal Avery Watt, Individually and as Independent Executor of the Estate of Marian Hedwig Avery Watt, Deceased (collectively, "Watt"). The Watt Purchase Note has been paid in full. Pebble Creek also executed a Contingent Payment Agreement with Watt, in the maximum principal sum of \$2,000,000. The principal which may be payable under the Contingent Payment Agreement bears no interest. This is a contingent obligation, payable only out of proceeds of the sales of land in Avery Ranch by Pebble Creek, if and only if total net cash flow from such sales is in excess of \$14,000,000. The outstanding principal balance of the Contingent Payment Agreement as of December 31, 2001, was \$2,000,000 and as of December 31, 2002 was \$1,203,929.

The second loan is evidenced by a note in the amount of \$7,000,000, dated July 31, 1998, executed by Pebble Creek, and payable to the order of Butler Development Company, Ltd. (the "Butler Note"). The Butler Note bears interest at a rate of ten percent (10%) per annum and matures on July 28, 2008. The Butler Note is payable out of the proceeds of the sale of land in Avery Ranch by Pebble Creek. The outstanding principal balance of the Butler Note as of November 1, 2001, was \$3,701,865, and accrued interest was \$28,006. The balance of the Butler Note as of December 31, 2002 was \$167,007, and accrued interest was \$2,517.

Continental

The land which Continental has acquired from Pebble Creek is owned free and clear. The land acquired by Continental from the Avery Family, being 182.12 acres, is subject to a lien securing a note dated March 10, 1999, executed by Avery Ranch Company, Ltd., to Lucille S. Avery ("Mrs. Avery's Note"). Continental took title subject to that lien and assumed and agreed to pay Mrs. Avery's Note. Mrs. Avery's Note was in the original principal amount of \$1,200,000, and bears interest at a rate of seven percent (7%) per annum. Interest is payable monthly, and the note matures August 31, 2004. The outstanding principal balance of Mrs. Avery's Note as of November 1, 2001, was \$1,200,000. As of December 31, 2002, the outstanding principal balance of Mrs. Avery's Note was \$1,100,000.

Rathgeber

Rathgeber financed its acquisition from the Avery Family in part through execution of a note payable to the Avery Family, in the original principal amount of \$2,070,000, dated August 27, 1999 (the "Avery Family Note"). The Avery Family Note bears interest at a rate of seven percent (7%) per annum, is payable in monthly installments of principal and interest in the amount of \$20,000, and matures on August 31, 2004. The outstanding principal balance of the Avery Family Note as of November 1, 2001, was \$1,530,000.00. This Note was paid in full on September 27, 2002.

DAR

DAR has four development loans outstanding as of December 31, 2002.

The first DAR loan is evidenced by a note in the original principal amount of \$3,125,000.00, dated February 27, 2001, executed by DAR, and payable to the order of First Bank (the "DAR Drees Note"). The DAR Drees Note bears interest at a rate of prime plus 3/4s percent per annum, with interest payable monthly, and maturing on August 27, 2003. The outstanding principal balance of the DAR Drees Note as of December 31, 2002, was approximately \$1,097,556.31. The DAR Drees Note is secured by approximately 23.7 acres of land as well as a letter of credit in the amount of \$410,000, being the property which Drees Custom Homes has contracted to purchase from DAR for a total sales price of \$5,499,900.00.

The second DAR loan is evidenced by a note in the original principal amount of \$5,858,650.00, dated May 9, 2001, executed by DAR, and payable to the order of First Bank (the "DAR Morrison Note"). The DAR Morrison Note bears interest at a rate of prime plus 3/4 percent per annum, with interest payable monthly, and maturing on May 9, 2004. The outstanding principal balance of the DAR Morrison Note as of December 31, 2002, was approximately \$3,199,604.39. The DAR Morrison Note is secured by approximately 48.529 acres of land as well as a letter of credit in the amount of \$1,550,400, being the property which Morrison Homes has contracted to purchase from DAR for a total sales price of \$8,838,000.00.

The third DAR loan is evidenced by a note in the original principal amount of \$6,680,000.00, dated September 28, 2001, executed by DAR, and payable to the order of Bank One, NA (the "DAR Avery Ranch North Note"). The DAR Avery Ranch North Note bears interest at prime, with interest payable monthly, and maturing on September 30, 2003. The outstanding principal balance of the DAR Avery Ranch North Note as of December 31, 2002, was approximately \$1,444,045.58. The DAR Avery Ranch North Note is secured by approximately 63.679 acres of land, being the property which is under contract for a total sales price of \$9,018,000.00.

The fourth DAR Loan is evidenced by a note in the original principal amount of \$3,100,000.00, dated September 27, 2002, executed by DAR, and payable to First Bank. This Note bears interest at prime plus one (1%), with interest payments due monthly and principal payments due on March 31, 2003, July 31, 2003, and upon the maturity date of January 4, 2004. The outstanding principal balance of this Note as of December 31, 2002 was approximately \$2,650,000. This Note is secured by guaranty of Robert Wunsch and Edward R. Rathgeber, Jr.

GCAR

GCAR has one loan outstanding for the development and construction of the Golf Course. It is evidenced by a note in the original principal amount of \$5,600,000.00, dated November 3, 2000, executed by GCAR, and payable to Regions Bank (the "GCAR Note"). The GCAR Note was increased an additional \$950,000 in 2002 with the same conditions and terms as the original loan extended in 2002. The GCAR Note bears interest at prime plus one-half percent per annum, with interest payable monthly, and maturing on January 3, 2018. The GCAR Note is secured by approximately 220 acres of land planned to be developed as the Golf Course.

Waterline Loan

Pebble Creek, Continental, Rathgeber, and DAR obtained a loan in the original principal amount of \$3,353,240.00 from Bank One, NA for the construction of 14,700 linear feet of a 24-inch water line and appurtenances and approximately 3,700 linear feet of a 30-inch water line and appurtenances, to serve Avery Ranch (the "Waterline Loan"). Pebble Creek, Continental, Rathgeber, and DAR entered into a Cost Reimbursement Agreement dated June 4, 2000, with the City of Austin pursuant to which the City of Austin agreed to reimburse Pebble Creek and the Developers a portion of the "hard costs" incurred in connection with such water project, up to \$15,600,000 (which sum includes additional water projects for Avery Ranch which are not being constructed with the proceeds of the Waterline Loan, but which may be financed in the future). The Waterline Loan bears interest at prime, and accrued interest on the Waterline Loan is payable quarterly. The principal of the Waterline Loan is payable on March 1, 2002, March 1, 2003, March 1, 2004, and on March 1, 2005, as follows: (i) \$762,156.95 for the first installment due March 1, 2002 and was paid, \$909,041.99 for the second installment due March 1, 2003 and was paid, \$909,041.96 for the third installment due March 1, 2004, and \$146,855.05 for the fourth installment due March 1, 2005) and (ii) the amount of the annual installment to be paid by the City of Austin on or about such payment date under Section 3.03 of the Cost Reimbursement Agreement dated effective as of June 4, 2000 by and between Pebble Creek and the Developers and the City of Austin. The Waterline Loan is secured by a pledge of the sums to be paid by the City of Austin under the Cost Reimbursement Agreement. The City of Austin timely made the March 2002 payment in the amount of \$909,041.96.

THE HOMEBUILDERS

Active Builders

Continental

Continental, doing business as Milburn Homes, is both the developer of its lots and a homebuilder. Continental is a Texas limited partnership and wholly owned subsidiary of D.R. Horton, Inc., and operates in the Austin, Texas market under the name "Milburn Homes". D.R. Horton, Inc. is a NYSE-listed company (DHI) founded in Fort Worth, Texas in 1978. The company is active in development and homebuilding through 46 operating divisions and in 39 individual markets. D.R. Horton has over \$1 billion in stockholders' equity. In the Austin market, Continental is the largest homebuilder (based on number of units sold), with home sales of 1,471 in 1998, 1,682 in 1999, 1,642 in 2000, 1,425 in 2001, and 1,620 in 2002.

DAR

DAR has a contract with Drees Custom Homes, L.P. (The Drees Company), doing business as Drees Custom Homes to provide approximately 52 developed lots in Champions at Avery Ranch, and an option on three additional lots. DAR has a contract with The Drees Company to provide approximately 35 developed lots in Brookside. DAR has a contract with Morrison Homes of Texas, Inc. to provide approximately 104 developed lots in Creekside at Avery Ranch. DAR has a contract with Wilshire Homes, Ltd. to provide approximately 52 developed lots in Brookside at Avery Ranch. DAR has a contract with Hammond Homes, Ltd. to provide approximately 52 developed lots in Brookside at Avery Ranch. DAR has a contract with RH Development Park West/CC, Inc. (Hammonds Homes) to provide approximately 66 garden home lots in The Enclave at Avery Ranch.

DAR sold to Ryland land for development of approximately 300 lots in Morningside at Avery Ranch. In 2002, Ryland completed construction of 165 lots and has the additional 135 lots under construction as of December 31, 2002.

Drees Custom Homes: Drees's Houses range in size from 3,500 square feet to 6,000 square feet, with prices from \$380,000 to \$800,000. Drees was founded in the 1930s, is headquarter in Fort Mitchell, Kentucky, and has operations in Cleveland, Ohio, Cincinnati /Northern Kentucky, Dayton, Ohio, Washington, D.C., Maryland, Virginia, Raleigh, North Carolina, Austin, Texas, and Dallas/Fort Worth, Texas. Drees received the "Builder of the Year" award from Professional Builder magazine in 1991, and Drees was named "America's Best Builder" in 1998 by Builder magazine.

Morrison Homes: Morrison Homes range in size from 2,200 square feet to 4,500 square feet, with prices from \$210,000 to \$450,000. Morrison Homes is a wholly-owned subsidiary of George Wimpey PLC, a British-based, publicly held company. Founded over 100 years ago, Wimpey began building homes in the 1920s, and has grown to become one of the largest homebuilders in the world. Morrison Homes was founded in 1905 in Seattle, and was acquired by Wimpey in 1984.

Ryland Homes: Ryland's houses range in size from approximately 1,808 square feet to 3,427 square feet, and prices range from \$186,490 to \$314,490. Ryland is listed on the New York Stock Exchange (NYSE symbol: RYL). Ryland began selling homes in Columbia, Maryland, in 1967, and has since expanded across the nation, operating in three regions and 21 markets.

Wilshire Homes, Ltd.: Wilshire Homes, Ltd. is a wholly owned subsidiary of The Fortress Group, Inc. Wilshire Homes was founded in 1987 and was recently purchased from The Fortress Group, a Delaware Corp. by Ed Horne. Wilshire is now a privately held company with Ed Horne as its President. Wilshire has built over 4,000 homes since its inception. Wilshire's Austin division has received numerous Max Awards from the Texas Capital Area Builder's Assoc., for its product, best product design, best community, best interior merchandising, as well as awards for both best written and radio advertisements. Wilshire's San Antonio division has won Summit Awards presented by the San Antonio Area Builder's Association. Wilshire builds homes priced from \$130,000 to \$300,000 with square footages from 1,600 square feet to over 4,500 square feet.

Hammond Homes: Hammonds houses range in size from 1,600 square feet to over 4,000 square feet, and prices range from \$150,000 to \$500,000. Hammonds Homes was founded in 1987 and was recently purchased by Meritage Corporation (NYSE Symbol: MTH). Hammonds has received the Grand Award (Builder of the Year) from the Texas Association of Builders for the last two consecutive years – 2001 and 2002. Hammonds was also awarded "Builder of the Year" by the Home Builders Association of Greater Austin in 2001.

See "THE DISTRICT – History and Status of Development" for information concerning the numbers of homes completed and sold within the District.

THE ROAD

Avery Ranch Boulevard is being designed and constructed in accordance with the criteria of various regulatory agencies including Williamson County, Texas and the City of Austin, Texas. The construction and installation of the Road and related improvements must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Commissioner's Court. Both state law and the County's investment policies are subject to change.

Chapter 1471, Texas Government Code ("Chapter 1471"), provides that money remaining from Bond proceeds (after the portion of the proceeds that represents capitalized interest is placed in the County treasury to the credit of the District to be used to pay interest due on the Bonds and after the costs of the issuance of the Bonds are paid) shall be placed in the County treasury to the credit of the District's available road fund to be used for the purposes for which the Bonds were issued, as provided in the Bond Order. The County Treasurer is the custodian of all taxes collected to pay principal of and interest on the Bonds. The County Treasurer is required to deposit the money collected with the County depository in the same manner as other money of the County; and promptly pay the principal of and interest on the Bonds as they become due from the money collected and deposited for that purpose. Chapter 1471 also provides that the Commissioners Court may invest money in a sinking fund accumulated for the redemption and payment of the Bonds in: (1) bonds of the United States, the State of Texas, or a county, municipality, school district, or road district of the State of Texas; (2) bonds of the federal Farm Credit System; or (3) certificates of indebtedness issued by the Secretary of the Treasury of the United States. The sinking fund accumulated for the redemption and payment of the Bonds may not be invested in bonds the terms of which provide for a maturity date after the date of maturity of the Bonds. Interest on an investment must be applied to the sinking fund associated with the investment.

Under Texas law, the County is also authorized to invest its funds in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) certificates of deposit 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, or are secured by obligations described in clauses 1) through 6) or in any other manner and amount provided by law for County deposits; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause 1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) 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; (11) commercial paper 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 the U.S. or state bank; (12) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invests exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The County may invest in obligations described in the previous paragraph 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 County 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 County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution. The County 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 the market index.

Under Texas law, the County 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 includes a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment and maximum average dollar-weighted maturity allowed for pooled fund groups. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: 1) suitability of investment type, 2) preservation and safety of principal, 3) liquidity, 4) marketability of each investment, 5) diversification of the portfolio, and 6) yield.

Under Texas law County 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 probable income to be derived." At least quarterly the investment officers of the County shall submit an investment report detailing: 1) the investment position of the County, 2) that all investment officers jointly prepared and signed the report, 3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, 4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, 5) the maturity date of each separately invested asset, 6) the account or fund or pooled fund group for which each individual investment was acquired, and 7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest County funds without express written authority from the Commissioner's Court.

Under Texas law the County is additionally required to: 1) annually review its adopted policies and strategies, 2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioner's Court, 3) require the registered principal of firms seeking to sell securities to the County to: a) receive and review the County's investment policy, b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, (c) deliver a written statement attesting to these requirements; 4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the County's investment policy, 5) provide specific investment training for the Treasurer and investment officers, 6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, 7) restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and 8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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FINANCIAL INFORMATION CONCERNING THE DISTRICT

Debt Service Requirements

FYE 9/30	The Bonds*			Existing	Total
	Principal	Interest ⁽¹⁾	Total	Debt Service	Debt Service
2003	\$ -	\$ 115,757	\$ 115,757	\$ 349,688	\$ 465,444
2004	-	254,100	254,100	554,688	808,788
2005	-	254,100	254,100	553,925	808,025
2006	155,000	254,100	409,100	552,638	961,738
2007	165,000	245,575	410,575	555,825	966,400
2008	175,000	236,500	411,500	553,225	964,725
2009	185,000	226,875	411,875	555,100	966,975
2010	195,000	216,700	411,700	556,188	967,888
2011	205,000	205,975	410,975	556,488	967,463
2012	215,000	194,700	409,700	552,033	961,733
2013	230,000	182,875	412,875	556,783	969,658
2014	240,000	170,225	410,225	555,045	965,270
2015	255,000	157,025	412,025	552,025	964,050
2016	265,000	143,000	408,000	552,678	960,678
2017	280,000	128,425	408,425	551,865	960,290
2018	300,000	113,025	413,025	554,548	967,573
2019	315,000	96,525	411,525	555,818	967,343
2020	330,000	79,200	409,200	555,675	964,875
2021	350,000	61,050	411,050	553,650	964,700
2022	370,000	41,800	411,800	555,188	966,988
2023	390,000	21,450	411,450	-	411,450
	<u>\$ 4,620,000</u>	<u>\$ 3,398,982</u>	<u>\$ 8,018,982</u>	<u>\$ 10,883,068</u>	<u>\$ 18,902,049</u>

*Preliminary, subject to change.
(1) Interest calculated at a Net Interest Cost of 5.50% for purpose of illustration.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet the debt service requirements on the Bonds if no growth in the District's tax base within the District occurs beyond the Preliminary 2003 Assessed Valuation. The calculations assume collection of 95% of taxes levied; however the District levied its first tax in 2002 and therefore it has no tax collection history.

Average Annual Debt Service Requirements (2003-2023).....	\$ 900,098
Tax Rate of \$0.5383 on the Preliminary 2003 Assessed Valuation produces (95% collections).....	\$ 900,098
Maximum Annual Debt Service Requirements (2013).....	\$ 969,658
Tax Rate of \$0.5799 on the Preliminary 2003 Assessed Valuation produces (95% collections).....	\$ 969,658

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Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent Overlapping</u>	<u>Overlapping Amount</u>
Avery Ranch Road District No. 1	\$ 11,045,000 ^(a)	2-1-03	100.00%	\$ 11,045,000 ^(a)
Brushy Creek WCID No. 1	0	2-1-03	N/A	0
Williamson County	151,325,000	2-1-03	0.2189%	331,250
Leander ISD	343,253,607	2-1-03	0.7500%	2,574,402
Round Rock ISD	434,817,610	2-1-03	0.8590%	3,735,083
City of Austin	871,477,761	2-1-03	0.5495%	<u>4,788,770</u>
Total Direct and Estimated Overlapping Debt.....				\$ 22,474,505
Direct and Estimated Overlapping Debt as a Percentage of:				
2003 Preliminary Taxable Assessed Value.....				12.77% ^(a)

(a) Includes the Bonds.

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. All the land located within the District lies within the County. The following chart includes the 2002 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction

	<u>2002 Tax Rates</u>
The District	\$ 0.275000
City of Austin	0.459700
Williamson County	0.458300
Brushy Creek WCID No. 1	0.020000
Leander Independent School District	1.725000
Austin Community College District	<u>0.050000</u>
Estimated Tax Bill	\$ 2.988000(a)

(a) For a resident of the District whose property lies within the boundary of Round Rock ISD, the Estimated Tax Bill would be computed using a rate of \$1.792361 per \$100 valuation.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the Commissioner’s Court of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. The Commissioner’s Court has in the Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds.

District Tax

The Commissioner’s Court covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax on all property in the District adequate to provide funds to pay the principal of and interest on the Bonds.

Principal Taxpayers

The following table represents the principal taxpayers within the District, the estimated taxable assessed value of such property, and such property’s assessed value as a percentage of the District’s 2003 Preliminary Estimated Taxable Assessed Valuation of \$176,009,789⁽¹⁾. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments” and “APPENDIX C – Letter from the Appraisal District.” See also “THE DEVELOPERS” for more information on certain of the principal taxpayers. See “TAXING PROCEDURES – Valuation of Property for Taxation” for information regarding valuation and assessment of unoccupied houses held for sale by a developer or builder.

Name of Taxpayer ⁽¹⁾	Preliminary 2003 Taxable Assessed Valuation ⁽²⁾	% of Total Preliminary TAV
Continental	\$ 29,732,173	16.89%
Pebble Creek Joint Venture	19,344,800	10.99%
Ryland Homes	9,015,000 ⁽³⁾	5.12%
Shadow Creek, Ltd.	6,000,500	3.41%
GCAR	4,000,000	2.27%
Hammonds Homes	3,476,214 ⁽³⁾	1.98%
RDW Holdings, Inc.	3,000,000	1.70%
DAR	2,970,000	1.69%
Drees Custom Homes	2,652,509 ⁽³⁾	1.51%
Wilshire Homes	1,905,876 ⁽³⁾	1.08%
Morrison Homes	1,511,309 ⁽³⁾	0.86%
	<u>\$ 83,608,381</u>	<u>47.50%</u>

- (1) This chart does not include: (i) certain land still held by Pebble Creek and Rathgeber which is still subject to agricultural exemption and/or which is not in the process of being platted, and (ii) the 378 homes sold by Continental which had an estimated TAV of \$16,807,465 (based on sales price of the homes).
- (2) This amount is a Williamson County Appraisal District preliminary value for all taxable property located within the District as of January 1, 2003. No tax will be levied on such amount unless it is certified by the Appraisal District. See “TAXING PROCEDURES.” The final certified Taxable Assessed Valuation of property in the District for the 2002 tax year was \$99,596,655.
- (3) Figures do not include value of vertical improvements of homes not yet sold to purchasers.

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TAXING PROCEDURES

Authority to Levy Taxes

The Commissioners Court is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment".

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, and school districts that participate in the appraisal district and of the county and, if entitled to vote, conservation and reclamation districts such as the District. The Board of Directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Williamson County, including the District, are included in the Williamson County Central Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Williamson County Central Appraisal Review Board. The appraisal roll as approved by the Williamson County Central Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District is subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain non-profit cemeteries; farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the Veteran. Also exempt, if approved by the Commissioners Court or through a process of petition and referendum by the District's voters, are residential homesteads of certain persons who are disabled or at least 65 years old (minimum exemption in an amount of not less than \$3,000 of appraised value). The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead: The Commissioner's Court may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Commissioner's Court may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created.

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

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timberland) must be appraised by the Appraisal District at 100% market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values at least once every three years.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including three years for agricultural use and of five years for agricultural land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in a recommended increase in value, if the appraiser will recommend an increase in value over the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice to the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must substantially comply with the requirements that it pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

District Application of the Tax Code

The Commissioner's Court has adopted a residential homestead exemption of 10% of the assessed value or \$5,000 whichever is greater and an exemption for persons 65 years or older and disabled persons of \$10,000.

Portions of the land owned by the Developers are undeveloped and are valued for ad valorem tax purposes on the basis of their agricultural productivity (qualified open-space land), which would be a small fraction of such land's fair market value.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Collection of Taxes

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 is entitled by law to pay current taxes on his residential homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residential homestead. The date of the delinquency may be postponed if the tax bills are mailed after January 10 of any year. The Commissioner's Court may legally approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1, and 12% total if any

taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, where a district engages an attorney for collection of delinquent taxes, the Commissioner's Court may impose a further penalty not to exceed fifteen percent 15% on all taxes unpaid on July 1.

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each state and local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT - Estimated Overlapping Debt"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations and Foreclosure Remedies".

Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Financial Institutions and Recovery Act

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

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

It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied solely on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District. See "THE BONDS - Source of Payment". The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will occur or that property in the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value located within the District results from the current market value of single-family residences, vacant developed lots and undeveloped land. The market value of such homes, lots and land is related to general economic conditions affecting the demand for such property. Demand for property of this type and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District.

Although located approximately 17 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of taxable property values within the District are, to a great extent, a function of the Austin metropolitan and regional economies.

Competition: The demand for and construction of single-family homes in the District, which is approximately 17 miles from downtown Austin, could be affected by competition from other residential developments including other residential developments located in other utility districts in the vicinity of the District, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District.

The District is located within four (4) miles of fourteen (14) other large developments.

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

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

Maximum Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2002 certified Taxable Assessed Valuation of property in the District which is not subject to an agricultural exemption was \$99,596,655. The 2003 Preliminary Taxable Assessed Valuation of property in the District not subject to an agricultural exemption is \$176,009,789. After issuance of the Bonds, the maximum annual debt service requirement will be \$969,658 (2013), and the average annual debt service requirement will be \$900,098 (2003-2023, inclusive). Assuming no increase or decrease from the 2003 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.5799 and \$0.5383 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT – Tax Rate Calculations."

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Decreases in the taxable value of the land within the District would most likely result in increases in the tax rate of the District.

Tax Collection Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA - Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six months after the purchaser's deed issued at the foreclosure sale is filed in the County records with the exception of residential homesteads and property designated for agricultural use for which the right of redemption is two years). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "Bankruptcy Limitation to Registered Owners' Rights" below. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Order are limited. Although Texas law and the Bond Order provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interest of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Bondholders' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic bondholders'

stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

Future Debt

The District has the right to issue the remaining \$5,955,000 authorized but unissued bonds (after issuance of the Bonds) for road related improvements benefiting the District, and such additional bonds as may hereafter be approved for such purpose. All of the remaining \$5,955,000 in bonds for road related improvements benefiting the District which have heretofore been authorized by the voter of the District may be issued by the District from time to time as needed.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS". Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the transactions described in this Preliminary Official Statement, McCall, Parkhurst & Horton L.L.P. represents only the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change and No Appeal

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in this Preliminary Official Statement, as it may be amended through the date of sale.

Forward Looking Statements

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

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

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

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TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Bond Counsel will rely upon (a) certain information and representations of the District including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters including arbitrage, the use of the proceeds of the Bonds and the property to be financed therewith. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the District, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. The difference between (i) "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bond and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each

accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owner of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds will be includable as an adjustment for "adjusted earnings and profits" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable excess exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by Section 884 of the Code on the ~~effectively-connected earnings and~~ profits of a foreign corporation doing business in the United States.

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable

income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an "qualified small issuer" as "qualified tax-exempt obligations". A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations". Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations".

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Preliminary Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT," "TAX DATA" and "INVESTMENT CONSIDERATIONS - Future Debt". The District will update and provide this information within six months after the end of each fiscal year ending in or after 2003. The District will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements of the District, if the District commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The District will also provide timely notices of certain events to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"). The District will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Bond Order make any provision for credit or liquidity enhancement.) In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial

statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to any SID and to either each NRMSIR or the MSRB.

Availability of Information from NRMSIRs and SID

The District has agreed to provide the foregoing information only to the information vendors described above. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID and has received a no-action letter from the SEC dated August 29, 1995 that recognizes the Municipal Advisory Council of Texas as a SID. The address of the Municipal Advisory Council of Texas is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, Attention: Laura Slaughter, Assistant Executive Director, and its telephone number is 512/476-6947.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted a purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent an underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has complied in all material respects with its previously adopted continuing disclosure obligations.

The District levied its first tax pursuant to an order of the Commissioners Court (as the governing body of the District) adopted on September 24, 2002. Accordingly, the District is in the process of collecting the receipts from its first tax levy and, with the exception of the information included in this Official Statement under the captions described above under "Annual Reports", the District has not prepared (or commissioned an audit of) financial statements to report its financial condition or the results of its operations.

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PREPARATION OF PRELIMINARY OFFICIAL STATEMENT**Sources and Compilation of Information**

The financial data and other information contained in this Preliminary Official Statement has been obtained primarily from the District's and the County's records, the Developers, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District or the Commissioner's Court as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District or the Commissioner's Court to such effect. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions and other related information set forth in this Preliminary Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and *reference is made to such documents for further information.*

Financial Advisor

First Southwest Company is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Preliminary Official Statement for the sale of the Bonds. In its capacity as Financial Advisor, First Southwest Company has compiled and edited this Preliminary Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein as indicated.

The Financial Advisor has not, however, independently verified the factual information contained in this Preliminary Official Statement nor has it conducted an investigation into the affairs of persons or firms referred to in this Preliminary Official Statement for the purpose of passing upon the accuracy or completeness of this Preliminary Official Statement.

Certification of Preliminary Official Statement

The District, acting through the Commissioner's Court in its official capacity and in reliance upon the experts listed above, *hereby certifies*, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Preliminary Official Statement

If, subsequent to the date of the Preliminary Official Statement, the District 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 Preliminary Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Preliminary Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Preliminary Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Preliminary Official Statement "Deemed Final"

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Preliminary Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Preliminary Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

Underwriter

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of \$_____. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Miscellaneous

All estimates, statements and assumptions in this Preliminary Official Statement and the APPENDIX hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Preliminary Official Statement was approved by the Commissioner's Court of Williamson County, Texas as of the date shown on the cover page.

APPENDIX A

Bond Counsel's Opinion Letter

LAW OFFICES

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*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**AVERY RANCH ROAD DISTRICT NO. 1
UNLIMITED TAX ROAD BONDS
SERIES 2003
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____**

AS BOND COUNSEL FOR AVERY RANCH ROAD DISTRICT NO. 1 (the "District") of the unlimited tax road bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates stated in the text of the Bonds and in the order of the District adopted on March 18, 2003 relating to the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and delivered in accordance with the Constitution and general laws of the States; and that except as may be limited by laws applicable to the District relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Bonds constitute valid and legally binding obligations of the District; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount as provided in the Order.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the District with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by Section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by Section 884 of the Code and (c) included in the passive investment income of the subchapter S corporation and subject to the tax imposed by Section 1375 of the Code.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities

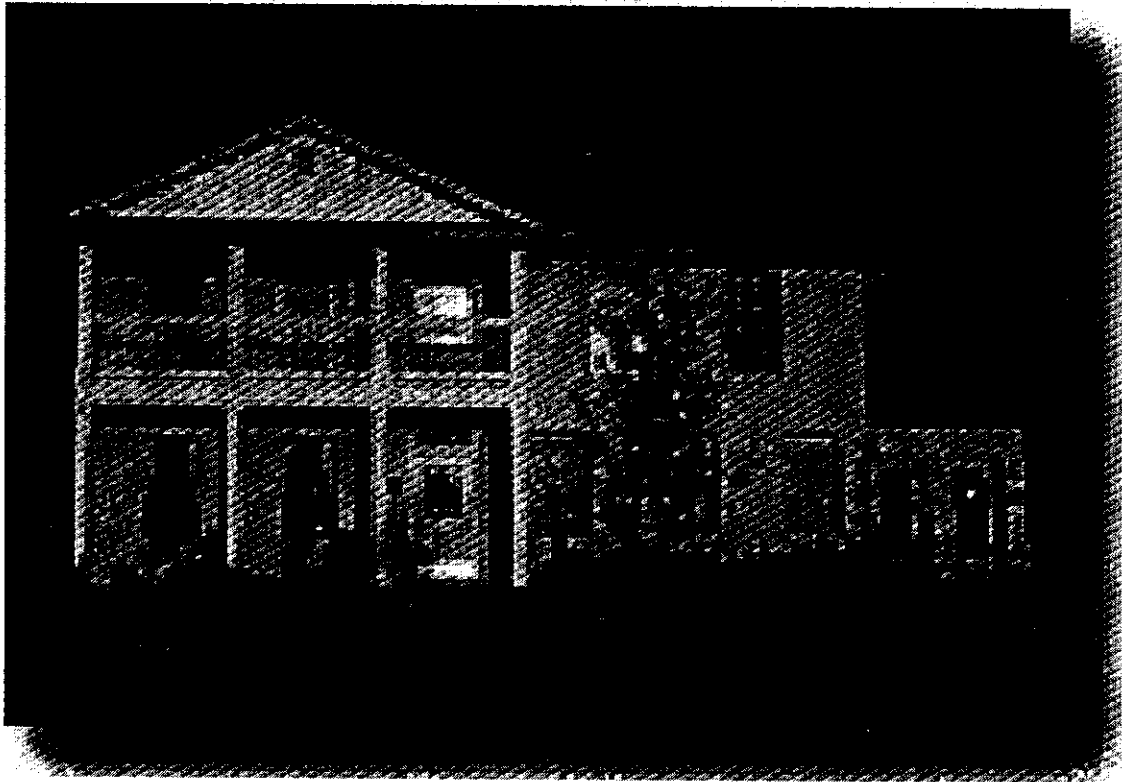
that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness and assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described herein.

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

Respectfully,

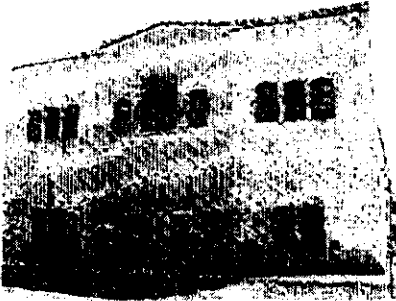
APPENDIX B

Photographs of the District



APPENDIX C

Letter from the Appraisal District



Williamson County Appraisal District

510 W. 9th Street
P. O. Box 1120
Georgetown, Texas 78627-1120
(512) 930-3787 - Austin Metro
(512) 352-8542 - Taylor Metro
(512) 930-0301 - Facsimile

Board of Directors

Errol Brashear, Chairman
Robert Tagge, Vice Chairman
Leslie Hill, Secretary
Deborah Hunt
Don Paul

Bill Carroll, Chief Appraiser
btic@wcad.org

March 10, 2003

Honorable John Doerfler
County Judge
Williamson County Courthouse
710 Main St., #201
Georgetown, Texas 78626

Dear Judge Doerfler:

My Certified Estimated Taxable Value of all property located within the Avery Ranch Road District #1 as of January 1, 2003 is \$176,009,789.

Sincerely,

A handwritten signature of Bill Carroll in black ink, written in a cursive style.

Bill Carroll
Chief Appraiser
Williamson County Appraisal District

BC/cam

VII.

Consider and take appropriate action with respect to contracts for the construction of Avery Ranch Boulevard.

This item was tabled until next week.

VIII.

Consider authorizing reimbursement audit in connection with the bonds.

Moved: **Judge Doerfler**

Seconded: **Commissioner Boatright**

Motion: To authorize hiring Pena & Swayze for reimbursement audit in connection with the bonds.

Vote: 3 – 0

< Attachment >