

OFFICIAL STATEMENT DATED SEPTEMBER 17, 2015

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF COLLIN COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3 AND, UNDER THE STATUTES, REGULATIONS PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CORPORATIONS.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—Qualified Tax Exempt Obligations for Financial Institutions."

NEW ISSUE-BOOK-ENTRY-ONLY

NOT RATED

\$5,110,000
COLLIN COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3
(A political subdivision of the State of Texas located within Collin County)
UNLIMITED TAX ROAD BONDS
SERIES 2015

Dated: September 15, 2015

Due: September 15, as shown below

The \$5,110,000 Unlimited Tax Road Bonds, Series 2015 (the "Bonds") are obligations solely of Collin County Water Control and Improvement District No. 3 (the "District") and are not obligations of the State of Texas, Collin County, the Town of St. Paul, the City of Lucas, the City of Wylie or any entity other than the District.

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

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially, Amegy Bank National Association in Plano, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from September 15, 2015 (the "Dated Date"), and is payable on each March 15 and September 15, commencing March 15, 2016, until maturity or prior redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

CUSIP Prefix: 194749 ^(b)

\$2,095,000 Serial Bonds

Principal Amount	Maturity (Sept. 15)	Interest Rate	Initial Yield ^(a)	CUSIP Suffix ^(b)	Principal Amount	Maturity (Sept. 15)	Interest Rate	Initial Yield ^(a)	CUSIP Suffix ^(b)
\$ 130,000	2017	2.000%	1.750%	AA5	\$ 165,000	2024	3.000%	3.200%	AH0
135,000	2018	2.000%	1.750%	AB3	170,000	2025	3.250%	3.350%	AJ6
140,000	2019	2.000%	2.000%	AC1	175,000	2026 ^(c)	3.500%	3.500%	AK3
145,000	2020	2.250%	2.250%	AD9	185,000	2027 ^(c)	3.500%	3.650%	AL1
145,000	2021	2.500%	2.500%	AE7	195,000	2028 ^(c)	3.625%	3.750%	AM9
150,000	2022	2.750%	2.750%	AF4	200,000	2029 ^(c)	3.750%	3.850%	AN7
160,000	2023	3.000%	3.000%	AG2					

\$430,000 4.000% Term Bonds due September 15, 2031 at a Price of 100.000% to Yield 4.000% ^{(a) (c)} - CUSIP No. ^(b) AQ0

\$480,000 4.000% Term Bonds due September 15, 2033 at a Price of 98.736% to Yield 4.100% ^{(a) (c)} - CUSIP No. ^(b) AA6

\$810,000 4.125% Term Bonds due September 15, 2036 at a Price of 98.276% to Yield 4.250% ^{(a) (c)} - CUSIP No. ^(b) AV9

\$1,295,000 4.250% Term Bonds due September 15, 2040 at a Price of 98.484% to Yield 4.350% ^{(a) (c)} - CUSIP No. ^(b) AZ0

- (a) Bonds maturing on and after September 15, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole or from time to time in part, on September 15, 2025, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the winning bidder (the "Underwriter") subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats, Rose, Yale, Ryman & Lee, P.C. Dallas, Texas, Bond Counsel. Certain legal matters will be reviewed by McGuireWoods LLP, Houston, Texas, as Disclosure Counsel to the District. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 14, 2015.

FMSBONDS, INC.

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USE OF INFORMATION IN 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 Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement 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, resolutions, orders, contracts, engineering and other related reports set forth in this 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 Coats, Rose, Yale, Ryman & Lee, P.C., 5420 LBJ Freeway, Suite 600, Dallas, Texas, 75240.

This 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 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 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 this Official Statement until delivery of the Bonds to the Underwriter (as herein defined) and thereafter only as specified in "PREPARATION OF Official Statement—Updating the Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, United States Securities and Exchange Commission Rule 15c2-12.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by FMSbonds, Inc. (the "Underwriter") paying the interest rates shown on the cover page hereof, at a price of 97.203715% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.123654%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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 difference between 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 United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not 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.

(Continues on following page.)

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

THE DISTRICT

Description...

In an order dated March 15, 2011, the Texas Commission on Environmental Quality (the “TCEQ”), pursuant to a Petition of Lavon 593 Land Investment Partners, L.P., granted the creation of Collin County Water Control and Improvement District No. 3 (the “District”). The District was granted road powers by Senate Bill 1852 (2013), codified at Chapter 9043, Texas Special District Local Laws Code. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article 16, Section 59 and Article 3, Section 52 of the Texas Constitution, and Chapters 49 and 51, Texas Water Code, as amended. The District currently contains approximately 593 acres of land. See “THE BONDS—General” and “THE DISTRICT.”

Location...

The District is located approximately 28 miles north of the central downtown business district of the City of Dallas. The District is not located within the corporate limits of any municipality, however portions of the District are located partially within the extraterritorial jurisdictions of the Town of St. Paul, City of Lucas and the City of Wylie. The District is located within the Wylie Independent School District (“Wylie ISD”). The District is located along Parker Road near Lake Lavon, adjacent to the Town of St. Paul.

The Developer...

The developer of the land within the District currently being developed is HC Inspiration One, LLC (“HC Inspiration” of the “Developer”), a Texas limited liability company, which was created to own and develop the first phase of the property within the District. Two affiliates of HC Inspiration, Parker Lakeside, LLC (“Parker Lakeside”), a Texas limited liability company, and Union Valley Ranch, L.P. (“Union Valley”), a Texas limited partnership, also own significant portions of land within the District. Parker Lakeside and Union Valley also own HC Inspiration. The portions of the land within the District owned by Parker Lakeside and Union Valley are currently planned to be developed as future phases of the “Inspiration” community by affiliates of those entities.

HC Inspiration, Parker Lakeside and Union Valley are controlled by entities affiliated with Phillip Huffines and Donald Huffines. Development and management tasks of the property owned by HC Inspiration are carried out through employees of Huffines Management Partners, LP, a Texas limited partnership, which is part of a group of entities doing business under the name “Huffines Communities” (“Huffines”). Phillip Huffines and Donald Huffines control Huffines. HC Inspiration, Parker Lakeside, Union Valley, Huffines and their affiliates are collectively referred to herein as the Huffines Entities. See “THE DEVELOPER.”

Status of Development...

The District is being developed as Inspiration, a predominantly single-family residential development. Development currently consists of the 81 acres of Inspiration, Phase 1A-1, Phase 1A-2, and Phase 1B (208 single-family residential lots and approximately 17 acres of open space). In addition, there is a 1.2 acre swim complex under construction. 10 acres are under contract with Wylie ISD for a future elementary school to open in 2016. Underground utility construction is finishing for the development of 176 single family lots on 71 acres comprising Inspiration, Phase 2A and Phase 2B. Paving of such sections is expected to be complete in the fall of 2015. As of August 1, 2015, there were 16 completed single-family homes (1 occupied), 5 model homes, 61 new homes under construction (of which 31 are under contract to a homebuyer) and 131 vacant developed lots available for home construction. See “THE DISTRICT—Land Use—Status of Development.”

Homebuilders...

Homebuilding in the District is being conducted by Highland Homes, Ltd; K. Hovnanian DFW Inspiration, LLC; Meritage Homes of Texas, LLC; Shaddock Homes, Ltd., d/b/a Saxony Homes; and, Castlerock Communities L.P., d/b/a Mercury Homes. The contracts for sale of lots between HC Inspiration and the builders require that earnest money be deposited with a title company and establish certain required purchases on a fixed schedule. HC Inspiration’s sole remedy for

homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of earnest money. All of the builders are current with lot takedown requirements.

THE BONDS

<i>Description...</i>	\$5,110,000 Unlimited Tax Road Bonds, Series 2015 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The Bonds will be issued in book-entry form only in principal denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from September 15, 2015 and is payable on March 15, 2016, and on each September 15 and March 15 thereafter until the earlier of maturity or redemption. See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on and after September 15, 2026 are subject to redemption in whole or from time to time in part, at the option of the District, prior to their maturity dates on September 15, 2025, and on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for roads, improvements in aid thereof, and other related costs, including land costs and engineering fees, as shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twenty-four (24) months of interest on the Bonds; pay interest on funds advanced by the Developer on behalf of the District; and pay certain other costs related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are issued pursuant to the Bond Order, the Texas Constitution and the general laws of the State of Texas, Chapter 9043, Texas Special District Local Laws Code and an election held within the boundaries of the District. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are 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 obligations of the District and are not obligations of the Town of St. Paul, the City of Lucas, the City of Wyle, Collin County, the State of Texas or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Payment Record...</i>	The District has not previously issued bonds. See “THE BONDS—Authority for Issuance.”
<i>Qualified Tax-Exempt Obligations...</i>	The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating</i>	The Bonds are NOT RATED. The District has not made an application for either a commitment for municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving municipal bond insurance or an investment grade rating on the Bonds.
<i>Bond Counsel...</i>	Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>General Counsel...</i>	Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McGuireWoods LLP, Houston, Texas.
<i>Financial Advisor...</i>	First Southwest Company, LLC, Dallas, Texas.
<i>Paying Agent/Registrar...</i>	Amegy Bank National Association, Plano, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

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 OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

(Continues on following page)

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2015 Certified Net Taxable Assessed Valuation	\$ 33,135,129 ⁽¹⁾
Estimated Net Taxable Assessed Valuation as of July 15, 2015	\$ 48,000,000 ⁽²⁾
Direct Debt	
The Bonds	<u>\$ 5,110,000</u>
Direct Debt Outstanding	\$ 5,110,000
Overlapping Debt	\$ 2,725,254
Total Gross Direct Debt and Estimated Overlapping Debt	\$ 7,835,254
Ratios of Gross Direct Debt to:	
2015 Certified Net Taxable Assessed Valuation	15.42%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2015 Certified Net Taxable Assessed Valuation	23.65%
Ratios of Gross Direct Debt to:	
Estimated Net Taxable Assessed Valuation as of July 15, 2015	10.65%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
Estimated Net Taxable Assessed Valuation as of July 15, 2015	16.32%
Average Annual Debt Service Requirement (2016-2040)	\$ 330,039
Maximum Annual Debt Service Requirement (2040)	\$ 364,875
Tax Rate Required to Pay Average Annual Debt Service (2016-2040) at a 90% Collection Rate Based upon 2015 Certified Net Taxable Assessed Valuation	\$ 1.1067
Tax Rate Required to Pay Maximum Annual Debt Service (2040) at a 90% Collection Rate Based upon 2015 Certified Taxable Assessed Valuation	\$ 1.2235
Tax Rate Required to Pay Average Annual Debt Service (2016-2040) at a 90% Collection Rate Based upon Estimated Net Taxable Assessed Valuation as of July 15, 2015	\$ 0.7640
Tax Rate Required to Pay Maximum Annual Debt Service (2040) at a 90% Collection Rate Based upon Estimated Net Taxable Assessed Valuation as of July 15, 2015	\$ 0.8446
2015 Tax Rates	
Debt Service	\$ 0.8000
Maintenance and Operations	<u>0.2000</u>
Total	\$ 1.0000
General Fund Balance as of 8/25/2015	\$ 8,525 ⁽³⁾
Estimated Debt Service Fund Balance as of Delivery Date	\$ 436,453 ⁽⁴⁾
Status of Estimated Home Construction as of August 1, 2015 ⁽⁵⁾	
Single Family Homes Completed and Occupied	1
Single Family Homes Completed - Models	5
Single Family Homes Completed and Unoccupied	10
Single Family Homes Under Construction	<u>61</u>
Total	77
Status of Lot Production and Ownership as of August 1, 2015 ⁽⁵⁾	
Developed Lots Owned by Developer ⁽⁶⁾	96
Developed Lots Owned by Homebuilders	111
Developed Lots Owned by Homeowners	1
Lots Under Construction Owned by Developer ⁽⁶⁾	<u>176</u>
Total	384

(1) As certified by the Collin Central Appraisal District (the "Appraisal District") on July 23, 2015.

(2) As estimated by the Appraisal District.

(3) Until collection of the 2015 taxes, the District is wholly dependent on developer advances for operating funds.

(4) Estimated at the delivery of the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in Debt Service Fund. Additionally, accrued interest on the Bonds from September 15, 2015 to the date of delivery thereof will be deposited to the Debt Service Fund upon closing of the Bonds. Any funds in the Debt Service Fund are pledged only to pay the debt service on the Bonds and any additional bonds.

(5) As reported by the Developer.

(6) All but 16 developer owned finished lots and lots under construction are under contract with homebuilders.

OFFICIAL STATEMENT

\$5,110,000

COLLIN COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 3

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

UNLIMITED TAX ROAD BONDS

SERIES 2015

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Collin County Water Control and Improvement District No. 3 (the “District”) of its \$5,110,000 Unlimited Tax Road Bonds, Series 2015 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, Chapter 9043, Texas Special District Local Laws Code, an order authorizing the issuance of the Bonds (the “Bond Order”), adopted by the Board of Directors of the District (the “Board”), and an election held within the District on November 5, 2013.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, HC Inspiration One, LLC (“HC Inspiration” or the “Developer”) and development activity in the District. 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 Coats, Rose, Yale, Ryman & Lee, P.C., General Counsel, 5420 LBJ Freeway, Suite 600, Dallas, Texas, 75240.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated and accrue interest from September 15, 2015, with interest payable on March 15, 2016, and on each September 15 and March 15 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds mature on September 15 in each of the years and in the amounts, and pay interest at the rates, shown on the cover page hereof. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

At an election held within the District on November 5, 2013, voters of the District authorized the issuance of \$63,000,000 principal amount of unlimited tax bonds for purposes of providing road facilities and the Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution; Chapters 49 and 51, of the Texas Water Code, as amended, Chapter 9043, Texas Special District Local Laws Code and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Source and Security for Payment

The Bonds and any additional tax bonds issued in the future, will be payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT

CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the Town of St. Paul, the City of Lucas, the City of Wylie, Collin County, the State of Texas or any political subdivision or entity other than the District.

Funds

The Bond Order creates a Series 2015 Road Capital Projects Fund (the “Construction Fund”) and a Series 2015 Road Debt Service Fund (the “Debt Service Fund”). Accrued interest on the Bonds and twenty-four (24) months of capitalized interest will be deposited from the proceeds from the sale of the Bonds into the Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund or used to pay costs of issuance. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds (the “Registered Owners”) is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as herein defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 15, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 15, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, provided that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed shall be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected in accordance with arrangements between the District and the securities depository. See “BOOK-ENTRY-ONLY SYSTEM.”

Mandatory Redemption: The Bonds maturing on September 15 in each of the years 2031, 2033, 2036, and 2040 (the “Term Bonds”) are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on September 15 in the following years:

<u>Term Bonds Due September 15, 2031</u>		<u>Term Bonds Due September 15, 2033</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 15, 2030	\$210,000	September 15, 2032	\$235,000
September 15, 2031 (maturity)	\$220,000	September 15, 2033 (maturity)	\$245,000

<u>Term Bonds Due September 15, 2036</u>		<u>Term Bonds Due September 15, 2040</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 15, 2034	\$255,000	September 15, 2037	\$300,000
September 15, 2035	\$270,000	September 15, 2038	\$315,000
September 15, 2036 (maturity)	\$285,000	September 15, 2039	\$330,000
		September 15, 2040 (maturity)	\$350,000

The Paying Agent/Registrar shall select by lot the Term Bonds within the applicable stated maturity to be redeemed. Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for

redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bond or portions thereof so redeemed shall no longer be regarded as outstanding except for purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed Amegy Bank National Association, having a designated payment office in Plano, Texas, as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar,"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year. The record date for payment of the interest on any regularly scheduled interest payment date is defined as the last day of the month (whether or not a business day) preceding such payment date.

Registration and Transfer

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the bond register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is 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 be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be either a duly qualified and competent bank or trust company organized under the laws of the State of Texas.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt of Section 49.186 of the Texas Water Code, and is applicable to the District:

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) authorizes bonds of the District (including the Bonds) to be eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

The District expects to issue additional bonds to finance road and water, wastewater and storm drainage facilities as soon as feasible and from time-to-time in order to fully reimburse the Developer (as herein defined) for advances made by the Developer to construct roads and water, wastewater, and storm drainage facilities. The District's voters have authorized the issuance of a total of \$87,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities, and \$63,000,000 principal amount of unlimited tax bonds for the purpose of acquiring

or constructing roads and could authorize additional amounts. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to one and one-half of the principal amount of water, wastewater and storm drainage bonds previously issued by the District and in an amount equal to one and one-half of the principal amount of road bonds previously issued by the District. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation and tax anticipation notes. After issuance of the Bonds, the District will have the authority to issue \$57,890,000 unlimited tax bonds authorized but unissued for road facilities and \$87,000,000 of unlimited tax bonds authorized but unissued for water, wastewater and storm drainage purposes. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District.

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the three cities in whose extraterritorial jurisdiction the District is located; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

Remedies in Event of Default

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Bond Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

If the District defaults in the payment of a principal, interest, or the redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, obligations or conditions prescribed in the Bond Order, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Except for a mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Further, certain traditional legal remedies also may not be available. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies and Bankruptcy Limitations.”

Defeasance

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the

right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Annexation

The District is located partially within the extraterritorial jurisdiction (“ETJ”) of each of the City of Lucas, the City of Wylie, and the Town of St. Paul. The Town of St. Paul is a general law city, and therefore, under Texas law, it does not currently have the authority to annex land without the consent of the landowners and it is unlikely to obtain that authority in the foreseeable future. The City of Lucas and the City of Wylie are home-rule cities, and as such, they have the authority to annex land within their respective ETJs without the consent of the landowners. If one of these cities were to annex land that is within its ETJ and within the District, the District would not be dissolved; the annexed land would be subject to taxation by both the applicable city and the District. Various Huffines Entities (as herein defined) has entered into Development Agreements with the City of Lucas (dated September 17, 2009), the City of Wylie (dated October 25, 2011), and also the Town of St. Paul (dated July 9, 2013) providing that the applicable city or the town will not annex the property that is within its ETJ and within the District for at least fifteen years from the date of the respective Development Agreement.

Consolidation

The District has the legal authority, upon a favorable election in each district, to consolidate with one or more other districts and, thereafter, to become one district and be governed as one district. However, debts created prior to consolidation, such as the Bonds, remain debts of the original districts, payable from taxes levied on land in the original districts as if they had not consolidated or from contributions from the consolidated district on terms stated in the consolidation agreement. No representation is made concerning whether the District will consolidate with any other district, and the District currently has no plans to do so.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic

computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

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 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, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates 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, Bond certificates will be printed and delivered.

USE AND DISTRIBUTION OF BOND PROCEEDS

Construction costs below are based upon final construction contract amounts or, with respect to projects under construction, estimates confirmed by the District's engineer. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and reviewed by an independent auditor. Surplus funds, if any, will be expended for construction costs relative to road projects within the District.

I.	CONSTRUCTION COSTS	
	Paving, and Related Drainage to Serve:	
	Phase 1A, 1B and Inspiration Boulevard	\$ 2,270,570
	FM 2514 Improvements	58,219
	Right-of-Way Acquisition	958,506
	Engineering	633,927
	Total Construction Costs	\$ 3,921,222
II.	NON-CONSTRUCTION COSTS	
	Legal Fees	\$ 127,750
	Fiscal Agent Fees	96,650
	Capitalized Interest (24 months)	421,437
	Developer Interest	209,406
	Underwriter's Discount	153,300
	Attorney General Fee	5,110
	Bond Issuance Fee	24,000
	Contingency	151,125
	Total Non-Construction Costs	\$ 1,188,778
	TOTAL BOND ISSUE REQUIREMENT	\$ 5,110,000

(Continues on following page)

THE DISTRICT

General

In an order dated March 15, 2011, the Texas Commission on Environmental Quality (the “TCEQ”), pursuant to a Petition of Lavon 593 Land Investment Partners, L.P., a prior developer of land in the District, granted the creation of Collin County Water Control and Improvement District No. 3. The District was granted road powers by Senate Bill 1852 (2013), codified at Chapter 9043, Texas Special District Local Laws Code. The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article 16, Section 59 and Article 3, Section 52 of the Texas Constitution, and Chapters 49 and 51, Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and, the construction, operation and maintenance of macadamized, graveled or paved roads and improvements, including storm drainage, in aid of those roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is not empowered to fund parks and recreational facilities with taxes, independently or with one or more conservation and reclamation districts. The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the three cities in whose extraterritorial jurisdiction the District is located; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s utility system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation.”

Description and Location

The District encompasses approximately 593 acres and is located approximately 28 miles north of the central downtown business district of the City of Dallas. The District is located within the Wylie Independent School District. The District is located along Parker Road near Lake Lavon, adjacent to the Town of St. Paul. See “INVESTMENT CONSIDERATIONS—Estimated Overlapping Debt and Taxes.”

Land Use

The following table has been provided by the Developer and represents the current approved land use within the District.

Phase	Acreage	Lots
<i>Inspiration:</i>		
Phase 1A-1 (a)	23	27
Phase 1A-2 (a)	17	72
Phase 1B	41	109
Phase 2A (b)(c)	46	100
Phase 2B (b)	25	76
Subtotal:	152	384
<i>Future Development</i>	441	1,029
Totals:	593	1,413

(a) Includes 18 acres of open space and recreational areas.

(b) Underground utility construction is being completed. Completion of paving of the roads in these Phases is expected in the fall of 2015.

(c) Includes a 10 acre future elementary school site.

Status of Development

Single-Family Residential: The District is being developed as Inspiration, a single-family residential development. Development currently consists of the 81 acres of Inspiration, Phase 1A-1, 1A-2, and 1B (208 single-family residential lots and approximately 17 acres of open space). In addition, there is a 1.2-acre swim complex under construction. 10 acres are under contract with Wylie Independent School District for a future elementary school to open in 2016. Underground utility construction is finishing for the development of 176 single family lots on 71 acres comprising Inspiration, Phase 2A and 2B. Paving of the roads in such sections is expected to be complete in the fall of 2015. As of August 1, 2015, there were 16 completed single-family homes (1 occupied), 5 model homes, 61 new homes under construction (of which 31 are under contract to a homebuyer) and 131 vacant developed lots available for home construction. According to the Developer, homes being constructed in the District range from approximately \$250,000 to \$600,000 in purchase price.

Recreation: Recreational improvements currently include water features and walkways. A community center with a pool and bath house, playground, sports field, event pavilion and plaza, and open play fields, along with walking access to Lake Lavon's Trinity Trail, are currently under construction.

Future Development

Approximately 441 developable acres of land currently within the District (not including approximately 71 acres under construction for development of 176 single-family residential lots) are not yet fully served with water distribution and supply, wastewater collection and treatment, storm drainage facilities and paving. While the Developer anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fully reimburse the Developer for water, wastewater, storm drainage facilities and roads constructed to date, and to accomplish full development of the District. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments—Future Debt." The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$87,000,000 principal amount for water, wastewater and storm drainage purposes and \$57,890,000 principal amount for roads after issuance of the Bonds) should be sufficient to finance the construction of water, wastewater, storm drainage facilities, and roads to complete the District's water and wastewater and roads systems for full development of the District. See "THE ROAD SYSTEM," "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" and "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers of the Bonds should note that the prior real estate experience of the Developer or the Huffines Entities should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate. No representation is made as to the relative success of any of the projects mentioned above, and no assurance as to the future performance of the Developer to the Huffines Entities should be inferred. Prospective purchasers are urged to inspect the District in order to acquaint themselves with the nature of the business activities of the Developer and the Huffines Entities. See "INVESTMENT CONSIDERATIONS—Dependence on the Developer and Principal Taxpayers—Landowners/Developer/Homebuilders Under No Obligation to the District."

The Developer

The developer of the land within the District currently being developed is HC Inspiration One, LLC (“HC Inspiration” or the “Developer”), a Texas limited liability company, which was created to own and develop the first phase of the property within the District. Two affiliates of HC Inspiration, Parker Lakeside, LLC (“Parker Lakeside”), a Texas limited liability company, and Union Valley Ranch, L.P. (“Union Valley”), a Texas limited partnership, also own significant portions of land within the District. Parker Lakeside and Union Valley also own HC Inspiration. The portions of the land within the District owned by Parker Lakeside and Union Valley are currently planned to be developed as future phases of the “Inspiration” community by affiliates of those entities.

HC Inspiration, Parker Lakeside and Union Valley are controlled by entities affiliated with Phillip Huffines and Donald Huffines. Development and management tasks of the property owned by HC Inspiration are carried out through employees of Huffines Management Partners, LP, a Texas limited partnership, which is part of a group of entities doing business under the name “Huffines Communities” (“Huffines”) Phillip Huffines and Donald Huffines control Huffines.

HC Inspiration, Parker Lakeside, Union Valley, Huffines and their affiliates are collectively referred to herein as the Huffines Entities.

Huffines was founded in 1985 and has developed and marketed over 18 residential subdivisions in the Dallas-Fort Worth area of Texas, including Waterview, Panther Creek, Country Lakes, Providence and Savannah.

The Developer and the Huffines Entities are not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District nor any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

The Developer Special Districts Experience

Huffines has significant experience as the developer of master planned communities located within special districts in Texas similar to the District. Entities affiliated with Huffines have made advances to such districts to finance the construction of public improvements and to pay for district operating needs, creating an obligation on the part of the districts to reimburse the developer for those advances through future bond issuances. According to the Developer, Huffines has made a strategic decision to work with each of these districts to establish and maintain a level and competitive combined district tax rate. This strategy has been implemented, in part, through entities affiliated with Huffines funding of a portion of such districts’ operating costs and, when necessary, working with such districts to reduce the operating and maintenance component of such districts’ combined tax rate. The following is a summary of Huffines’ more significant district experience:

- Providence Village Water Control and Improvement District of Denton County (“PVWCID”) (formerly Denton County Fresh Water Supply District No. 9) included the Providence Village community prior to PVWCID being dissolved by the Town of Providence Village on August 15, 2015. Before dissolution, PVWCID had issued approximately \$34,400,000 in tax exempt road and utility bonds from 2003 through 2015, reimbursing the Huffines’ affiliated entity over \$29,289,000 for construction advances and operating subsidies. In addition, the combined tax rate for PVWCID never changed since it was first levied in 2002 through dissolution in 2015, due, in part, to advances for operating costs made by the Huffines’ affiliated entity.
- Denton County Fresh Water Supply District No. 10 (“DCFWSN No. 10”) includes the Savannah and Artesia communities. DCFWSN No. 10 has issued approximately \$49,935,000 in tax exempt road and utility bonds since 2004, reimbursing the Huffines’ affiliated entities approximately \$41,909,000 to date for construction advances and operating subsidies. In addition, the combined tax rate for DCFWSN No. 10 has not changed since it was first levied in 2003 due, in part, to advances for operating costs made by the Huffines’ affiliated entity.
- Viridian Municipal Management District includes the Viridian community in Tarrant County. Initially, all operating needs of that district were funded by an entity in which Huffines had an ownership interest. The underlying property was sold in July 2015 by the entity in which Huffines had an ownership interest. In 2011, the Viridian district had a tax exempt road bond issuance of \$8,935,000 and a tax exempt utility bond issuance of \$12,040,000, providing over \$13,800,000 in combined proceeds for use in construction of road and utility facilities.
- Verandah Municipal Utility District of Hunt County (formerly Verandah Fresh Water Supply District of Hunt County) includes the Verandah community. Initially, all operating needs of the district were funded by a Huffines’ affiliated entity. The underlying property was subsequently sold by the Huffines’ affiliated entity. The district had a tax exempt

road bond issuance in 2009 of \$3,500,000, with over \$1,000,000 in net bond proceeds being disbursed to the Huffines' affiliated entity for advances and remaining proceeds being disbursed to a new developer who purchased the property.

- Parker Creek Municipal Utility District of Rockwall County. All operating needs of the district to date have been funded by a Huffines' affiliated entity. A Huffines' related entity currently intends to begin construction in that district in the next 12 months. A district tax has not yet been levied.
- Sunrise Municipal Utility District of Hunt County. All operating needs of the district to date have been funded by a Huffines' affiliated entity. A Huffines' related entity currently intends to begin construction in that district in the next 24 – 36 months. A district tax has not yet been levied.
- Union Valley Ranch Municipal Utility District of Hunt County. Initially, all operating needs of the district were funded by a Huffines' affiliated entity. The underlying property was subsequently sold by the Huffines' affiliated entity, although the Huffines' affiliated entity will participate in a portion of future bond sales. A district tax has not been levied.

Homebuilders

Homebuilding in the District is being conducted by Highland Homes, Ltd.; K. Hovnanian DFW Inspiration, LLC; Meritage Homes of Texas, LLC; Shaddock Homes, Ltd., d/b/a Saxony Homes; and, Castlerock Communities L.P., d/b/a Mercury Homes. The contracts for sale of lots between HC Inspiration and the builders require that earnest money be deposited with a title company and establish certain required purchases on a fixed schedule. HC Inspiration's sole remedy for homebuilders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of earnest money. All of the builders are current with lot takedown requirements.

(Continues on following page)

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Tommy Thomas	President	2018
Robert H. Simmons	Vice President	2018
Peter S. Crow	Secretary	2016
Traci Miller	Assistant Secretary	2018
Mike C. Reil	Assistant Secretary	2016

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond & General Counsel: Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas serves as Bond Counsel and General Counsel to the District. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: McGuireWoods LLP, Houston, Texas, has been engaged by the District to serve as “Disclosure Counsel” for the District. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: First Southwest Company, LLC, serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is 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.

Auditor: Under Chapter 49, Subchapter G, Texas Water Code, the District has not previously been required to obtain an audit of its finances. The District is, however, required to file an Annual Financial Report with the TCEQ, on a form adopted by the TCEQ. A copy of the District’s Annual Financial Report for the fiscal year ended August 31, 2015, prepared by the District’s Bookkeeper, is provided in “APPENDIX A.” The information in the Annual Financial Report is not comparable to or the equivalent of an audited comprehensive annual financial report. After issuance of the Bonds, the District will be required to obtain an audit beginning with the fiscal year ending August 31, 2016. The District intends to engage McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to perform certain agreed-upon procedures related to the use of proceeds from the Bonds to reimburse the Developer. The District also intends to engage McCall Gibson Swedlund Barfoot PLLC to prepare the audit for the fiscal year ending August 31, 2016.

Tax Assessor/Collector: The Collin Central Appraisal District (the “Appraisal District”) has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.” The District will contract with Mr. Kenneth Maun, Collin County Tax Assessor-Collector, to perform the tax collection function.

Engineer: The District’s consulting engineer is Jacobs Engineering.

Bookkeeper: The District has contracted with Cindy Schmidt for bookkeeping services.

Utility System Operator: The operator of the District’s internal water and wastewater system is Wylie Northeast Special Utility District.

THE WATER, WASTEWATER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "Utility System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency.

Wylie Northeast Special Utility District

The Wylie Northeast Special Utility District ("Wylie Northeast SUD"), a political subdivision of the State of Texas created under the authority of Section 59, Article XVI of the State Constitution, will be the retail provider of water and sanitary sewer services to the District pursuant to an assigned Non-Standard Service Contract with Wylie Northeast SUD (the "Contract") from Hanover Property Company. The original agreement was executed on September 3, 2008. Pursuant to the Contract, Wylie Northeast SUD pledges to deliver certain water supply and wastewater services as required to serve the needs of the property owners within the District.

Water Supply

The District obtains water from the Wylie Northeast SUD. Pursuant to the Contract, the District has rights to develop up to approximately 2,104 equivalent single family residential connections ("ESFC") for water. This is estimated to provide water for 2,058 single family residential homes, one amenity center and approximately 6.1 acres of commercial development.

Wylie Northeast holds the Water Certificate of Convenience and Necessity ("CCN") No. 10192 originally issued by the TCEQ. North Texas Municipal Water District ("NTMWD") supplies water to Wylie Northeast SUD via an existing wholesale water supply contract. Jurisdiction over water and sewer CCN was transferred to the Public Utility Commission of Texas effective September 1, 2014.

Wylie Northeast SUD currently charges a Water Connection Fee of \$4,100 per ESFC, which includes a standard residential meter to be installed by Wylie Northeast SUD and reflects all administrative, equipment, water system improvement costs and other lawful costs divided by the number of ESFC within the District at ultimate build-out. The Developer shall install a meter vault, tap, meter riser with appurtenances and service line for all service connections during the construction of the lots. The Developer shall pay a deposit to Wylie Northeast SUD for each water service ESFC. The District will seek reimbursement of water fees. As of August 1, 2015, the District has approximately 80 active water connections.

Wastewater Treatment

The District obtains wastewater service from Wylie Northeast SUD who is currently negotiating a contract with the NTMWD for regional wastewater service. Wylie Northeast SUD has also been issued a permit to construct a wastewater treatment plant to service the District, subject to certain conditions. Wastewater from the District will be pumped to the NTMWD Muddy Creek Wastewater System.

Wylie Northeast SUD holds the Sewer CCN No. 21056 issued by the TCEQ.

Wylie Northeast SUD will adopt and charge a Wastewater Connection fee of \$300 per ESFC, which will reflect all administrative, equipment, wastewater system improvement costs and other lawful costs divided by the number of ESFC within the District at ultimate build-out. The Developer shall install all customer equipment, facilities, and appurtenances necessary for Wylie Northeast SUD to provide retail sewer service to each sewer connection in the District. The Developer will pay a deposit to Wylie Northeast SUD for each sewer service ESFC. The District will seek reimbursement of the sewer fees. As of August 1, 2015, the District has approximately 77 active sewer connections.

Water Distribution, Wastewater Collection and Storm Drainage Facilities and Roads

Internal water distribution, wastewater collection, storm drainage facilities and paving have been constructed to serve 208 single-family residential lots and one amenity center. Underground utility construction is complete for 176 single-family residential lots and a school site. Paving improvements for roads in Phases 2A and 2B are scheduled to be completed in the fall of 2015.

Flood Protection

According to the District's engineer, none of the developable land is within the 100-year floodplain. The District contains certain areas within the 100-year floodplain and those areas are designated as drainage ways and easements. No lots are proposed within the 100-year floodplain.

THE ROAD SYSTEM

Construction of the District's roads is subject to certain regulation by the Town of St. Paul, the City of Wylie, and the City of Lucas, located in Collin County, Texas.

The roads and ancillary improvements ("Road System") serving Phase 1 of the District are complete. The Road System consists of collector roads; subdivision roads; a portion of the storm drainage system and other functionally related improvements; and related land acquisition.

Roads within the District are constructed with reinforced concrete pavement with curbs on moisture conditioned and lime stabilized subgrade. Inspiration Boulevard is the principal collector entering the project off of FM 2514 (Parker Road). Inspiration Boulevard is a 2-lane divided roadway from the entrance to the roundabout planned in a future phase. A 60' right-of-way with 37' back to back pavement section is planned through future Phases to provide a connection to the existing interior roadways and transition out of the roundabout. The remaining streets provide local interior service within the project and are typically 30-32 feet wide (between curbs). The Road System also includes streetlights, landscape and hardscape. Franchise utilities (power, phone, gas and cable) are typically located adjacent to the roadway. Public utilities such as water, wastewater and storm drainage are typically located within street right of ways.

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DISTRICT OPERATING STATEMENT

Principal and interest on the Bonds are payable solely from the proceeds of an unlimited tax levied against all taxable property within the District's boundaries.

The District intends to convey all of its right, title and interest to and maintenance, operation and repair obligations for the water and sewer systems to Wylie Northeast SUD pursuant to the Contract. The District therefore will not receive revenue from providing water and wastewater service. Although the District is currently dependent on Developer advances for operating funds, the District estimates that it will in future years operate on a positive cash flow basis without water and sewer revenues from customers, even though the amount of its net revenues may be less without net Utility System revenues. However, the District cannot predict that the District's net revenues subsequent to such conveyance will be sufficient to fund its future obligations and expenses or that an increase in its maintenance tax may not be required in the future.

Under Chapter 49, Subchapter G, Texas Water Code, the District has not previously been required to obtain an audit of its finances. The District is, however, required to file an Annual Financial Report with the TCEQ, on a form adopted by the TCEQ. A copy of the District's Annual Financial Report for the fiscal year ended August 31, 2015, prepared by the District's Bookkeeper, is provided in "APPENDIX A." The information in the Annual Financial Report is not comparable to or the equivalent of an audited comprehensive annual financial report. After issuance of the Bonds, the District will be required to obtain an audit beginning with the fiscal year ending August 31, 2016. The District intends to engage McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to perform certain agreed-upon procedures related to the use of proceeds from the Bonds to reimburse the Developer. The District also intends to engage McCall Gibson Swedlund Barfoot PLLC to prepare the audit for the fiscal year ending August 31, 2016. Reference is made to "APPENDIX A" for further and complete information on the Annual Financial Report.

(Continues on following page)

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

Table 1 - Assessed Value, Debt Ratios and Fund Balances

2015 Net Certified Taxable Assessed Valuation	\$ 33,135,129 ⁽¹⁾
Estimated Net Certified Taxable Assessed Valuation as of July, 15, 2015	\$ 48,000,000 ⁽²⁾
Gross Direct Debt Outstanding upon Issuance of the Bonds	\$ 5,110,000
Ratio of Gross Direct Debt to 2015 Certified Taxable Assessed Valuation	15.42%
Ratio of Gross Direct Debt to Estimated Net Certified Taxable Assessed Valuation as of July, 15, 2015	10.65%
Estimated Debt Service Fund Balance (at Delivery Date of the Bonds)	\$ 436,453 ⁽³⁾
General Fund Balance (as of August 25, 2015)	\$ 8,525 ⁽⁴⁾

(1) As certified by the Collin Central Appraisal District (the "Appraisal District") on July 23, 2015.

(2) As estimated by the Appraisal District.

(3) Estimated at the delivery of the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in Debt Service Fund. Additionally, accrued interest on the Bonds from September 15, 2015 to the date of delivery thereof will be deposited to the Debt Service Fund upon closing of the Bonds. Any funds in the Debt Service Fund are pledged only to pay the debt service on the Bonds and any additional bonds.

(4) Until collection of the 2015 taxes, the District is wholly dependent on developer advances for operating funds.

Investments of the District

The District will adopt an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has never issued unlimited tax bonds or revenue bonds.

Table 2 - Unlimited Tax Bonds Voted Authorization

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Utilities	11/8/2011	\$ 87,000,000	\$ -	\$ -	\$ 87,000,000
Utility Refunding Bonds	11/8/2011	130,500,000	-	-	130,500,000
Roads	11/15/2013	63,000,000	-	5,110,000	57,890,000
Road Refunding Bonds	11/15/2013	94,500,000	-	-	94,500,000
Total		<u>\$ 375,000,000</u>	<u>\$ -</u>	<u>\$ 5,110,000</u>	<u>\$ 369,890,000</u>

Table 3 - Debt Service Requirements

The following sets forth the debt service on the Bonds. This schedule does not reflect the fact that an amount equal to twenty-four (24) months of interest will be capitalized from bond proceeds and deposited in the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Calendar Year Ending 31-Dec	The Bonds			Total Unlimited Tax Debt Service	% of Principal Retired
	Principal	Interest	Total D/S		
2015	\$ -	\$ -	\$ -	\$ -	
2016	-	186,406	186,406	186,406	
2017	130,000	186,406	316,406	316,406	
2018	135,000	183,806	318,806	318,806	
2019	140,000	181,106	321,106	321,106	7.93%
2020	145,000	178,306	323,306	323,306	
2021	145,000	175,044	320,044	320,044	
2022	150,000	171,419	321,419	321,419	
2023	160,000	167,294	327,294	327,294	
2024	165,000	162,494	327,494	327,494	22.90%
2025	170,000	157,544	327,544	327,544	
2026	175,000	152,019	327,019	327,019	
2027	185,000	145,894	330,894	330,894	
2028	195,000	139,419	334,419	334,419	
2029	200,000	132,350	332,350	332,350	41.00%
2030	210,000	124,850	334,850	334,850	
2031	220,000	116,450	336,450	336,450	
2032	235,000	107,650	342,650	342,650	
2033	245,000	98,250	343,250	343,250	
2034	255,000	88,450	343,450	343,450	63.80%
2035	270,000	77,931	347,931	347,931	
2036	285,000	66,794	351,794	351,794	
2037	300,000	55,038	355,038	355,038	
2038	315,000	42,288	357,288	357,288	
2039	330,000	28,900	358,900	358,900	93.15%
2040	350,000	14,875	364,875	364,875	100.00%
	<u>\$ 5,110,000</u>	<u>\$ 3,140,981</u>	<u>\$ 8,250,981</u>	<u>\$ 8,250,981</u>	

Maximum Annual Debt Service Requirement (2040)\$364,875
Average Annual Debt Service Requirements (2016-2040).....\$330,039

(Continues on following page)

Estimated Overlapping Debt and Taxes

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also 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 approximate calculation of overlapping debt and the tax rates imposed for the 2014 tax year by all taxing jurisdictions overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Taxing Jurisdiction	2015 Taxable Assessed Value	2014 Total Tax Rate ⁽¹⁾	Total Debt as of 9/15/2015	Estimated % Applicable	District's Overlapping Debt 9/15/2015
The District	\$ 33,135,129	\$ 1.0000 ⁽²⁾	\$ 5,110,000 ⁽³⁾	100.00%	\$ 5,110,000
Collin County	88,662,442,875	0.2350	402,795,000	0.04%	150,533
Collin County Community College District	91,029,050,546	0.0820	31,600,000	0.04%	11,503
Wylie Independent School District	3,976,385,889	1.6400	307,599,292	0.83%	2,563,218
Total Direct and Overlapping Tax Debt		\$ 2.9570	\$ 747,104,292		<u>\$ 7,835,254</u>

Ratio of Direct and Overlapping Tax Debt to 2015 Net Certified Taxable Assessed Valuation 23.65%

Ratio of Direct and Overlapping Tax Debt to Estimated Net Taxable Assessed Valuation as of July 15, 2015 16.32%

(1) 2015 tax rates of other governmental entities are not available at this time.

(2) Represents the District's tax rate levied on August 25, 2015.

(3) Includes the Bonds.

(Continues on following page)

TAX DATA

Debt Service Tax

The Board 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 adequate to provide funds to pay the principal of and interest on the Bonds and any future bonds. In 2014, the District did not levy a debt service tax, but in 2015 the District levied a tax equivalent to \$0.80 per \$100 of taxable assessed valuation, of which \$0.00 per \$100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater and storm drainage purposes and \$0.80 per \$100 of taxable assessed valuation is allocated to pay debt service on bonds issued for road purposes including the Bonds. See “TAX DATA—Tax Rate Distribution,” and “Tax Roll Information,” below and “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters.

A maintenance tax election was conducted on November 8, 2011. The voters of the District authorized, among other things, the Board to levy a maintenance tax not to exceed \$1.20 per \$100 of taxable assessed valuation for operation and maintenance purposes, including but not limited to planning, constructing, acquiring, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of water, sewer and drainage of the District and for paying costs of proper services, engineering and legal fees and organization and administrative expenses, in accordance with the constitution and laws of the State of Texas, including particularly (but not by way of limitation) Section 49.107 of the Texas Water Code.

A subsequent maintenance tax election was conducted on November 5, 2013. The voters of the District authorized, among other things, the Board to levy a maintenance tax not to exceed \$1.20 per \$100 of taxable assessed valuation for the operation and maintenance of macadamized, graveled, or paved roads, or improvements including storm drainage, in aid of those roads, in accordance with the constitution and laws of the State of Texas, including particularly (but not by way of limitation) Article III, Section 52(b)(3) of the Texas Constitution, and Section 49.107 of the Texas Water Code.

A maintenance tax is in addition to unlimited debt service taxes which the District is authorized to levy for paying principal of and interest on the Bonds. In 2014, the District did not levy a maintenance tax, but in 2015 the District levied a tax equivalent to \$0.20 per \$100 of taxable assessed valuation for maintenance and operation purposes.

Contract Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if the provisions of the contract have been approved by a majority of the qualified voters of the District, and such tax is approved by the TCEQ. To date, the voters in the District have not approved contracts between the District and other parties and the levy of a tax without legal limitation as to rate or amount in support thereof. Such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest on its road bonds and water and sewer bonds, and taxes for the maintenance and operations of the District.

Tax Exemptions

The District has not adopted any optional exemptions for property located within the District See “TAXING POWERS”.

Table 4 - Tax Rate Distribution

Tax Year ⁽¹⁾	Calendar Year	Taxable	Total	Distribution		Total	Maintenance	Total
		Assessed	Tax	Maintenance	Debt Service	Debt Service	& Operations	Maintenance
		Valuation	Rate	Tax Rate	Tax Rate	Tax Levy	Tax Levy	Tax Levy
2015	2016	\$ 33,135,129	\$ 1.0000	\$ 0.2000	\$ 0.8000	\$ 331,351	\$ 66,270	\$ 265,081

(1) The District was created on March 15, 2011. The District levied Maintenance Taxes and Debt Service Taxes for the first time for Tax Year 2015.

Table 5 - Historical Tax Collections

Prior to 2015, the District did not levy taxes. On August 25, 2015, the District levied its first tax rate of \$1.00 per \$100 of taxable assessed valuation of which \$0.80 per \$100 of taxable assessed valuation is to pay debt service on bonds issued for road purposes including the Bonds and \$0.20 per \$100 of taxable assessed valuation is to pay for maintenance and operation purposes.

Table 6 - Tax Roll Information

The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation."

The Tax Year 2014 total market value was \$14,801,251 of which \$14,800,325 was the land within the District. However, the land's agricultural exemption was \$14,720,425, therefore the net taxable value as of January 1, 2014 was \$80,826.

	2015
Land	\$ 33,216,703
Improvements	926
Personal Property	-
Exemptions	(82,500)
Total Assessed Valuation	\$33,135,129

The District's Estimated Net Taxable Assessed Value as of July 15, 2015 is \$48,000,000 as reported by the Collin Central Appraisal District.

Table 7 - Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable appraised value as a percentage of the 2015 Certified Taxable Assessed Valuation of \$33,135,129.

Name of Taxpayer	Nature of Property	2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
HC Inspiration One, LLC	Land	\$ 19,889,028	60.02%
Parker Lakeside, LLC	Land	6,281,910	18.96%
Union Valley Ranch, L.P.	Land	6,843,686	20.65%
	Total	\$ 33,014,624	99.64%

Beginning in Tax Year 2016, the District expects to receive a list of top ten taxpayers within the District from Collin Central Appraisal District.

Table 8 - Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2015 Certified Net Taxable Assessed Valuation of \$33,135,129 and the Estimated Net Taxable Assessed Valuation as of July 15, 2015. The calculations contained in the following table merely represent the tax rates required to pay debt service on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Tax Adequacy at 2015 Certified Net Taxable Assessed Valuation

Average Annual Debt Service Requirement (2016-2040)	\$ 330,039
\$1.1068 Tax Rate at 90% Collections to pay Average Annual Debt Service produces	\$ 330,066
Maximum Annual Debt Service Requirement (2040)	\$ 364,875
\$1.2236 Tax Rate at 90% Collections to pay Average Annual Debt Service produces	\$ 364,897

Tax Adequacy at Estimated Net Taxable Assessed Valuation as of July 15, 2015

Average Annual Debt Service Requirement (2016-2040)	\$ 330,039
\$0.7640 Tax Rate at 90% Collections to pay Average Annual Debt Service produces	\$ 330,048
Maximum Annual Debt Service Requirement (2040)	\$ 364,875
\$0.8447 Tax Rate at 90% Collections to pay Average Annual Debt Service produces	\$ 364,910

TAXING PROCEDURES

Authority to Levy Taxes

The Board 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 and to pay the expenses of assessing and collecting such taxes. See "INVESTMENT CONSIDERATIONS—Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Collin Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Collin County, including the District. Such appraisal values are subject to review and change by the Collin County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Collin County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. 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 household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain property owned by qualified organizations engaged primarily in charitable purposes, residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District has not adopted 65 and older or disabled exemptions. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% and, subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. In addition, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken no official action to allow taxation of all such goods-in-transit personal property.

General Residential Homestead Exemption

The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never granted a general residential homestead exemption.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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 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 comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code 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.

Rollback of Operation and Maintenance Tax Rate

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

Agricultural, Open Space, or Timberland Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who could continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 such taxes for a period of three (3) years for agricultural use and five (5) years for timberland or open space land prior to the loss of the designation. As of January 1, 2015, no land within the District was designated for agricultural use, open space, or timberland.

Tax Abatement

Collin County may designate all or part of the District as a reinvestment zone, and the District, and Collin County may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, 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, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a

delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both except as described above under "Levy and Collection of Taxes." 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collections Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the Town of St. Paul, the City of Lucas, the City of Wylie, Collin County, the State of Texas, or any entity other than the District. Payment of the principal and interest on the Bonds depends upon the ability of the District to collect taxes levied 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 and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security for 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 accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of undeveloped land and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings 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.

Credit Markets and Liquidity in the Financial Markets

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. In addition, since the District is located approximately 28 miles from the central downtown business district of the City of Dallas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Dallas and the nation could adversely affect development and home-building plans in the District and restrain the growth of or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 28 miles from downtown Dallas, could be affected by competition from other residential developments including other residential developments located in the vicinity of the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Dallas. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Development and Home Construction in the District

As of August 1, 2015, approximately 131 developed lots within the District remained vacant, 61 homes are under construction and 10 completed homes are unoccupied. Failure of builders to construct taxable improvements on developed lots could result in increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and the contractual obligations of the District. Future increases in value will result primarily from the construction of homes by builders. See "THE DEVELOPER—Homebuilders."

Undeveloped Acreage/Vacant Lots

There are approximately 512 developable acres of land within the District (including approximately 71 acres under construction for the development of 176 single-family residential lots) that have not been fully provided with water, wastewater and storm drainage facilities and roads. The District makes no representation as to when or if development of this acreage will occur. There are also 131 vacant developed lots. See "THE DISTRICT—Land Use."

Overlapping Debt and Taxes

The District is located partially within the ETJ of each of the City of Lucas, the City of Wylie, and the Town of St. Paul. The Town of St. Paul is a general law city, and therefore, under Texas law, it does not currently have the authority to annex land without the consent of the landowners and it is unlikely to obtain that authority in the foreseeable future. The City of Lucas and the City of Wylie are home-rule cities, and as such, they have the authority to annex land within their respective ETJs without the consent of the landowners. If one of these cities were to annex land that is within its ETJ and within the District, the District would not be dissolved; the annexed land would be subject to taxation by both the applicable city and the District. The Huffines Entities have entered into Development Agreements with the City of Lucas (dated September 17, 2009), the City of Wylie (dated October 25, 2011), and also the Town of St. Paul (dated July 9, 2013) providing that the applicable city or the town will not annex the property that is within its ETJ and within the District for at least fifteen years from the date of the respective Development Agreement.

The District cannot predict and has no control over future debt and tax plans of the overlapping jurisdictions – See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt and Taxes." There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Collin County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Landowners/Developer/Homebuilders Under No Obligation to the District

There are no commitments from or obligations of the Developer, the Huffines Entities or homebuilders within the District 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 any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the Huffines Entities and the other landowners for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer or the Huffines Entities will be or what effect, if any, such condition may have on their ability to pay taxes. See "THE DEVELOPER."

Tax Collections 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Estimated Overlapping Debt and Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). 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. 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 and Bankruptcy Limitations

The Bond Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Statutory language authorizing local governments such as the District to sue or be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy code ("Chapter 9"). Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered Owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds

are qualified with respect to the customary rights of debtors relative to their creditors. The District may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, unlimited tax utility bonds and unlimited tax road bonds, and to borrow for any valid corporate purpose. Pursuant to elections held on November 8, 2011 and November 5, 2013, the resident electors authorized a total of \$87,000,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities, and \$63,000,000 principal amount of unlimited tax bonds for roads. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to one and one-half of the principal amount of bonds issued for water, wastewater and storm drainage facilities, and roads, respectively; to refund outstanding bonds issued for water, sewer and drainage facilities and roads. After issuance the Bonds, the District will have \$57,890,000 unlimited tax bonds for road facilities authorized but unissued and \$87,000,000 of unlimited tax bonds for water, wastewater and storm drainage facilities authorized but unissued. The District believes that such remaining authorization of unlimited tax bonds for water, wastewater, storm drainage, and roads purposes will be sufficient to finance improvements for the remainder of the District. See “THE BONDS—Issuance of Additional Debt.” In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See “THE BONDS—Authority for Issuance.” The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Pursuant to developer financing agreements, the District owes the Developer approximately \$9,400,000 plus interest for engineering and construction of water, wastewater and storm drainage facilities and roads and related improvements. The District expects to issue additional bonds to reimburse the Developer and to finance water, wastewater, storm drainage facilities, and roads to serve the remaining 512 undeveloped acres within the District (including approximately 71 acres currently under construction for development of 176 single-family residential lots) when feasible from time-to-time in order to fully develop the District.

The District may also issue additional bonds to finance a water irrigation system, as well as to pay for certain drainage and erosion control projects. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the assessed valuation of the real property in the District. The issuance of additional bonds for the purpose of financing water, wastewater and drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See “THE BONDS—Authority for Issuance—Issuance of Additional Debt.”

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the three cities in whose extraterritorial jurisdiction the District is located; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

Future and Proposed Legislation

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

Marketability of the Bonds

The District has no understanding with the initial purchaser of the Bonds (the “Underwriter”) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and

asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Certain legal matters will be passed upon for the District by its Disclosure Counsel, McGuireWoods LLP, Houston, Texas.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under “TAX MATTERS,” including the alternative minimum tax on corporations.

The legal fees to be paid to 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.

Legal Review

In its capacity as Bond Counsel, Coats, Rose, Yale & Ryman & Lee, P.C. (“Coats Rose”), has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS (insofar as it relates to the opinion of Bond Counsel),” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION (except for the subheading “Compliance with Prior Undertakings”)” solely to determine whether such information fairly summarizes the law referred to therein. In its capacity as General Counsel to the District, Coats Rose has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS—Annexation,” “—Consolidation,” “THE DISTRICT—General,” and “THE WATER, WASTEWATER AND DRAINAGE SYSTEM” solely to determine whether such sections fairly summarize the matters contained therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions 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 its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information at representations contained in the District's federal tax certificate, and (c) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. The failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (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. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final 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, such an owner 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 period for which such Original Issue Discount Bond continues to be owned by such owner. 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 Bonds 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 (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt

obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District will 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 that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of the sale.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Developer, the Engineer, 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 as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under “Certification of Official Statement.” 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, engineering and other related information set forth in this 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, LLC, 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 Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, First Southwest Company, LLC, has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official

Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

Appraisal District: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Collin Central Appraisal District and is included herein in reliance upon the authority of such acting as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the District's water and wastewater system and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM," and "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" has been provided by Jacobs Engineering, Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "DISTRICT OPERATING STATEMENT" and the Annual Financial Report in "APPENDIX A" has been provided by Cindy Schmidt and is included herein in reliance upon the authority of such person as an expert in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If subsequent to the date of the 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 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 Official Statement satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District 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 customer.

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

(Continues on following page.)

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA 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 Official Statement under the headings SELECTED FINANCIAL INFORMATION, TAX DATA and FINANCIAL INFORMATION CONCERNING THE DISTRICT. Beginning with the fiscal year ending August 31, 2016, the District will provide an audited financial statement. In addition, the District has agreed to provide information with respect to HC Inspiration One, LLC, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The information provided will be of the general type included in this Official Statement under the heading “APPENDIX B.” The District will be obligated to provide information concerning HC Inspiration One, LLC, and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2015.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with such 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 August 31. Accordingly, it must provide annual updated information by the last calendar day of February in each year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under Annual Reports.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, 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 the 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 not previously entered into a continuing disclosure requirement pursuant to the Rule.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this 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 Official Statement was approved by the Board of Directors of Collin County Water Control and Improvement District No. 3, as of the date shown on the first page hereof.

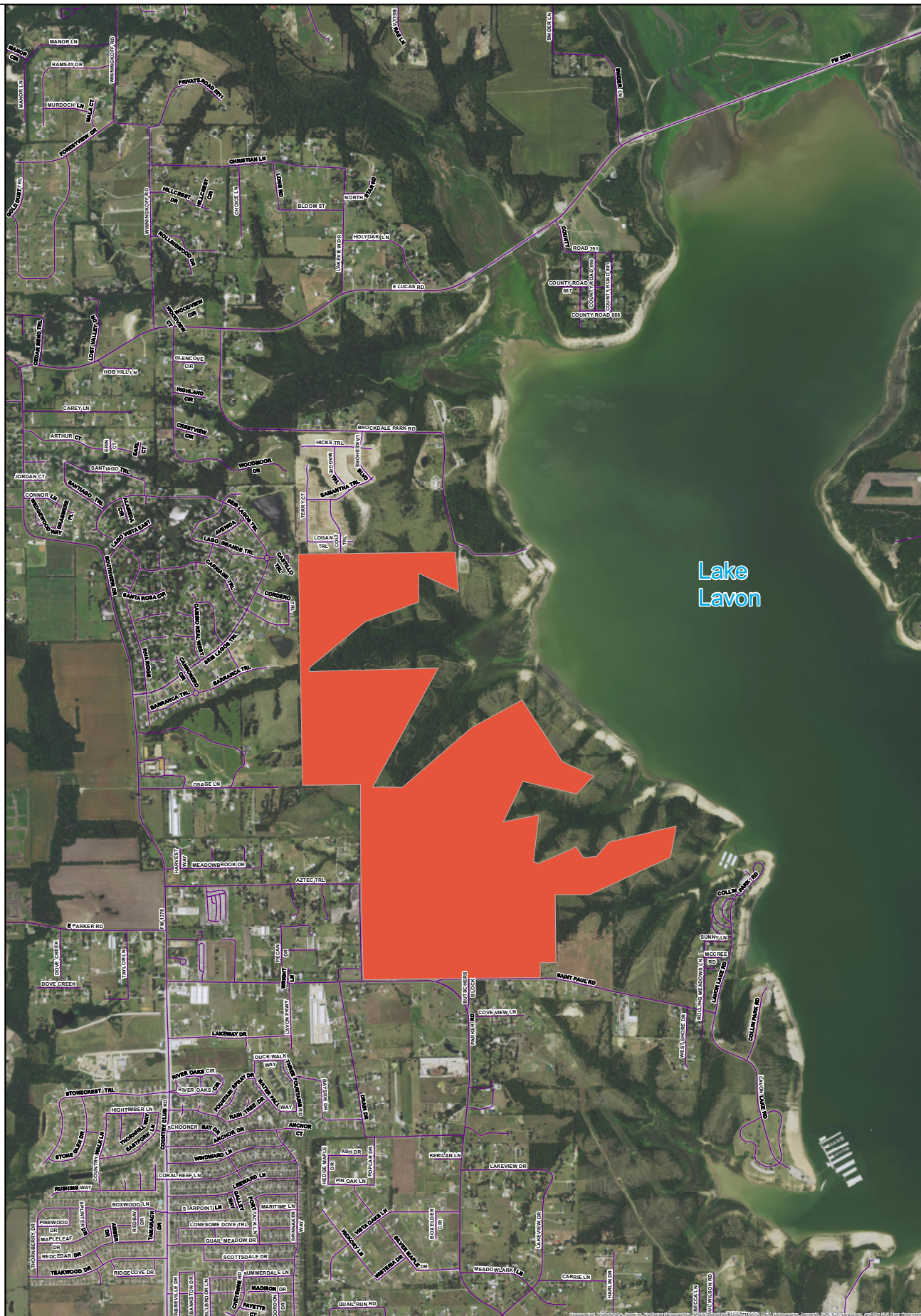
/s/ Tommy Thomas
President, Board of Directors

ATTEST:

/s/ Peter S. Crow
Secretary, Board of Directors

DISTRICT LOCATION MAP

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— Roads
Area Outline

Location Map

Collin County WCID No.3

1 inch = 800 feet



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PHOTOGRAPHS OF THE DISTRICT

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APPENDIX A

Financial Statement of the District for the year ended August 31, 2015

The information contained in this appendix includes the Annual Financial Report of Collin County Water Control and Improvement District No. 3 for the fiscal year ended August 31, 2015.

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ANNUAL FINANCIAL REPORT

Of

District Name Collin County Water Control and Improvement District No. 3
Mailing Address: P.O. Box 80 Tomball, TX 77377
For the Fiscal year ended: August 31, 2015
Preparer: Cindy Schmidt
Title: Bookkeeper Date: 09/01/15
Telephone Number: (AC) 281-356-7542

AUDIT REPORT EXEMPTION

Texas Water Code Section 49.198 (effective September 1, 1997)

- (a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:
 - (1) the district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;
 - (2) the district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$100,000 during the fiscal period; and
 - (3) the district's cash and temporary investments were not in excess of \$100,000 at any time during the fiscal period.
- (b) The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.
- (c) The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.
- (d) Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Collin County WCID 3

as of

(Name of District)

August 31, 2015

I also certify that the above district has complied in full

(Date of Fiscal Year End)

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

c/o Coats Rose, 5420 LBJ Freeway #600 Dallas, TX 75240

(Address of District)

Cindy Schmidt, Bookkeeper

(Typed Name and Title)

Cindy Schmidt

09/01/15

(Signature of Affiant)

(Date)

Subscribed and Sworn to before me by this 1st day of September, 2015

Debra R. Loggins

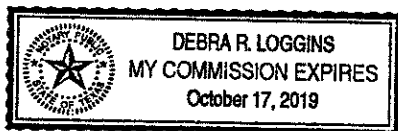
In and For Montgomery County, Texas

Debra R. Loggins

10/17/19

(Typed Name of Notary)

(My Commission Expires On)



District Name: Collin County WCID 3

MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION

as of the District's Fiscal Year-End

A. Disclosures to comply with Rule 30 TAC 293.95(b)

- (1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities. ☒ Yes ☐ No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district? ☒ Yes ☐ No

These payments are estimated to cumulatively be:

Organization Costs	275,000
Construction Costs	13,250,000
Administration Cost	384,500
Total Costs	13,909,500

- (2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report? ☐ Yes ☒ No

If yes, explain: _____

B. Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j). The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512/239-4691.

C. Additional Information. This report should be sent to:

District Creation Review Team, MC-152
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087
Phone Number: (512) 239-4691 Facsimile Number: (512) 239-6190

BALANCE SHEET – CASH BASIS

ASSETS

Cash on Hand	
Cash in Bank (Schedule A)	8572
Investment (Schedule B)	
Total Cash and Investments (1)	8572
Accrued Interest Receivable – Optional (Schedule B)	
Inventory	
General Fixed Assets	
Other Assets	
(Explain):	

TOTAL ASSETS (2) 8572

LIABILITIES AND EXCESS

Notes Payable	
Refundable Deposits	
Developer Advances	
Other Liabilities	
(Explain):	

TOTAL LIABILITIES

Excess Assets Over Liabilities	8572
Total Liabilities and Excess (3)	8572

Note to Preparer: “TOTAL CASH AND INVESTMENTS” (1) **must equal** “CASH AND INVESTMENTS – End of Year” on the Statement of Receipts and Disbursement, page 5.

“TOTAL LIABILITIES AND EXCESS” (3) **must equal** “TOTAL ASSETS” (2).

STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

RECEIPTS

Service Revenues	
Tax Receipts	
Penalty and Interest Received	
Interest Received on Investments	
Loans or Advances	114,000
All Other Receipts	
(Explain):	

TOTAL RECEIPTS	114,000
-----------------------	----------------

LESS DISBURSEMENTS

Purchased Services for Resale	70,914
Payroll	9,366
Legal, Accounting, or Contract Service	48,058
Supplies and Materials	
Maintenance	
Note Payments and Repayment of Advances	
All other Disbursements (Schedule C)	2,247
Total Disbursements	130,585
Excess of Receipts Over (Under) Disbursements	(16,585)
Cash and Investments – Beginning of Year	25,157
Cash and Investments – End of Year	8,572

(See **Note**, Page 4)

Note to Preparer: In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to **EXPLANATION OF TERMS**, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

SCHEDULA 1 – CASH IN BANK (1)

Name of Bank	Account Number	Purpose of Account	Balance
Plains Capital Bank	3100047830	GOF - Checking	8,572
TOTAL			

SCHEDULE B – INVESTMENTS (2)

Type of Investment	Name of Bank	Certificate Number	Interest Rate	Maturity Date	Principal Balance	(Optional) Accrued Interest
TOTALS						

SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS (3)

Description of Disbursements (4)	Amount
Bank charge	15
Utilities	2232
TOTAL	2247

- (1) Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.
- (2) Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of "Principal Balance" and "Accrued Interest."
- (3) Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of "All Other Disbursements."
- (4) A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

EXPLANTATION OF TERMS

All Other Disbursements - This classification should be used only for payments, which cannot be classified properly in the six remaining accounts listed on the Statement of Receipts and Disbursements. Schedule C, page 6, should be completed for any report, which utilizes the "All Other Disbursements" classification.

Cash Basis - The financial statements contained in this report are to be prepared on the cash basis of accounting. They are not intended to be in conformity with Generally Accepted Accounting Principles (GAAP). Only transactions involving the exchange of cash should be included in these statements. No liabilities should be recorded unless they arise from the transfer of money. Exceptions to this rule are listed in "Investments" and "General Fixed Assets" below. Receipts and disbursements should not be recorded until payment is made. For the purpose of the Statement of Receipts and Disbursements, movement of funds between checking accounts and investments should not be considered as receipts or disbursements.

Cash on Hand - Petty cash, checks, money orders, and bank drafts not on deposit.

Cash in Bank - (From Schedule A) - Cash deposited in the district's checking account(s). The reserves, restrictions, or limitations as to its availability should be so stated. The total amount shown on Schedule A must reflect the reconciled balance as of the fiscal year end and reported under the account classification "Cash in Bank" on the Balance Sheet.

Developer Advances - Amounts owed to a developer for cash placed in the district's account or otherwise paid to the district. However, amounts payable to a developer for which repayment is contingent upon a bond sale (or some other event) should not be included as a liability of the district. Please see the Miscellaneous Disclosures, page 3 of this report, for disclosure of these contingent liabilities.

Disbursements - All transactions involving the disbursement of the district's fund should be included in the disbursements section. Payments made on behalf of the district by a third party should not be listed as a disbursement for the purpose of this statement. See the Miscellaneous Disclosures, page 3, of this report, for disclosures of these payments.

Excess Assets Over Liabilities - The difference between "Total Assets" and "Total Liabilities." If liabilities exceed assets, this number should be shown as a negative amount.

General Fixed Assets - A fixed asset is one which the cost exceeds \$50 and has a productive life longer than one year. "Fixed" denotes the intent to continue use or possession; it does not indicate the immobility of the asset. An asset of cost not in excess of \$50 should be considered consumable and accordingly recognized under the account classification "Supplies and Materials" on the Statement of Receipts and Disbursements. A fixed asset purchased through the issuance of a short-term note payable should be reported as an asset at its full cost even though no cash transaction may have taken place. Likewise, the corresponding note payable should be reported in the liability section of the Balance Sheet. Fixed assets donated to the district by a

developer should be included as "General Fixed Assets" on the Balance Sheet. However, no amounts should be recorded on the Statement of Receipts and Disbursements for this type of transaction. The Credit offset to the fixed asset will be included in "Excess Assets over Liabilities" on the Balance Sheet.

Investments (From Schedule B) - List the types of investments (certificates of deposit, savings accounts, securities) which generate income in the form of interest. This should not include any amounts listed on Schedule A as "Cash in Bank." The total amount shown on Schedule B for "Principal Balance" must be reported under the account classification "Investments" on the Balance Sheet. At the option of the preparer, any interest earned on investments but not yet received may be reported as "Accrued Interest" on Schedule B and in the Asset section of the Balance Sheet. Under no circumstance should accrued interest be included in "Interest Received on Investments" under "Receipts" on page 5. "Interest Received on Investments" should include only amounts actually received during the fiscal year.

Inventories - The cost of materials and other items purchased for use during the fiscal year by which are not completely consumed by the end of the fiscal year.

Notes Payable - The total outstanding principal of short-term loans, which mature within one year of their issuance.

Other Liabilities - Only liabilities arising from the receipt of cash which cannot be properly classified in one of the other liability accounts should be listed in this classification along with a brief explanation of this liability. Accounts payable, accrued interest, and contracts payable should not be listed as liabilities in this report.

Receipts - All transactions involving the receipt of cash during the fiscal year should be included in the Receipts section. Only those amounts actually received during the fiscal year should be included. Amounts received for which repayment is contingent upon a bond sale (or some other event) should be included here. (See "Developer Advances" above for treatment of the contingent liability.)

Refundable Deposits - This amount reflects a liability arising from the receipt of deposits from customers, which will be refunded to the customer at some future date, based on the terms and conditions of the deposit agreement.

Rounding Instructions - Please round to the nearest whole dollar amount. For example: \$467.50 should be rounded up to \$468 and \$3,678.49 should be rounded down to \$3,678.

APPENDIX B

Financial Statement of the Developer

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HC Inspiration One, LLC
Balance Sheet - Summary Level
June 30, 2015

Assets

Current Assets

Cash Operating-PNB	\$ 156,299.13	
CD Short-Term - PlainsCapital	327,840.95	
Due (To) From - Parker Lakeside, LLC	60,000.00	
Accounts Receivable	30,374.98	
Deposits	1,500.00	
Escrows	100.00	
Total Current Assets		\$ 576,115.06

Long Term Assets

Land Development In Process	\$ 19,512,481.50	
Other Assets	960,222.26	
Total Long Term Assets		\$ 20,472,703.76
Total Assets		\$ 21,048,818.82

HC Inspiration One, LLC
Balance Sheet - Summary Level
June 30, 2015

Liabilities and Equity

Current Liabilities

Accounts Payable	\$ 730,357.27	
Retainage Payable	910,356.66	
Accrued Real Estate Taxes	198,045.00	
Total Current Liabilities		\$ 1,838,758.93

Long Term Liabilities

Acq & Development Loans	\$ 6,640,499.74	
Loans from Affiliated Parties	4,100,000.00	
Builder Deposit-KHov	495,000.00	
Builder Deposit-Highland Homes	668,250.02	
Builder Deposit-Meritage Homes	702,900.00	
Builder Deposit-Shaddock Homes	677,340.00	
Builder Deposit-Castlerock	569,250.00	
Total Long Term Liabilities		\$ 13,853,239.76
Total Liabilities		\$ 15,691,998.69

Equity

Partner's Capital-Other	\$ 1,887,754.55	
Current Year Net Income (Loss)	\$ 3,469,065.58	
Total Equity		\$ 5,356,820.13
Total Liabilities & Equity		\$ 21,048,818.82

HC Inspiration One, LLC
Income Statement - Summary Level
For the Period Ended June 30, 2015

	Current Period Activity	Current Balance
<u>Income</u>		
Land Sales	\$ 291,323.41	\$ 5,502,795.82
Other Fee Revenue	13,200.00	51,975.00
Interest Income	371.43	774.71
Other Income	42,550.00	42,550.00
Total Income	\$ 347,444.84	\$ 5,598,095.53
<u>Cost of Sales</u>		
Sales Commissions & Closing Costs	\$ 9,118.71	\$ 170,787.53
Cost of Sales - Land	104,168.27	1,650,838.76
Total Cost of Sales	\$ 113,286.98	\$ 1,821,626.29
Gross Margin	\$ 234,157.86	\$ 3,776,469.24
<u>Expenses</u>		
Media	\$ 13,258.95	\$ 29,799.55
Production	20,494.86	34,902.49
Special Events	1,324.46	2,784.86
Public Relations	730.02	3,024.57
Marketing Professional Services		4,871.25
Other Marketing Expenses	3,000.00	9,100.00
Payroll	21,488.28	133,894.83
Management Fees	335.04	359.58
Incentive Fees	3,900.00	44,400.00
Travel & Entertainment		235.34
Vehicle Costs	229.41	1,042.79
Occupancy Costs	160.50	2,328.03
Office Expenses	12.93	3,689.65
Telephone/Postage/Courier	238.96	1,268.41
Computer Expenses	300.00	550.00
Architect Fees	650.00	2,050.00
RE Tax Consultants		2,000.00
Contributions & Dues		462.58
Permits/Licenses/Fees	49.00	1,175.00
Other General & Administrative	520.00	3,210.00
Real Estate Taxes	36,676.87	264,024.05
Insurance	3,367.75	20,206.60
Interest Expense	59,616.06	229,237.37
Capitalized Dev Expend-Contra	(114,111.84)	(561,297.03)
Depreciation/Amortization Expense	13,509.79	74,083.74
Total Expenses	\$ 65,751.04	\$ 307,403.66
Net Income (Loss)	\$ 168,406.82	\$ 3,469,065.58

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APPENDIX C

Operating and Debt Service Budget of the District for the year ending August 31, 2016

The information contained in this appendix includes the Operating and Debt Service Budget of the District of Collin County Water Control and Improvement District No. 3 and certain supplemental unaudited information for the fiscal year ending August 31, 2015.

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Collin County WCID 3

	Actuals as of <u>08/11/2015</u>	Budget for <u>08/31/2016</u>
<u>Income</u>		
Developer Advances	54,000.00	212,000.00
Maintenance Tax	0.00	66,000.00
Interest Income	0.25	0.00
	<hr/>	<hr/>
Total Income	\$ 54,000.25	\$ 278,000.00
 <u>Expense</u>		
Bulk Water Purchases	\$ 20,545.04	\$ 96,000.00
Sludge Removal	25,500.00	55,000.00
Director Fees	8,250.00	9,720.00
Payroll Tax Expense	631.23	780.00
Legal Fees	17,274.65	30,000.00
Engineering Fees	13,522.23	75,000.00
Bookkeeping Fees	2,857.72	4,200.00
Utilities	921.78	2,400.00
Insurance	4,017.00	4,017.00
Other Expenses	14.75	150.00
	<hr/>	<hr/>
Total Expense	\$ 93,534.40	\$ 277,267.00
 Net Gain		
	<u>\$ (39,534.15)</u>	<u>\$ 733.00</u>

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APPENDIX D

Estimate of Taxable Assessed Value as of July 15, 2015

The information contained in this appendix includes the Estimate of Taxable Assessed Value as of July 15, 2015 of Collin County Water Control and Improvement District No. 3

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Collin Central Appraisal District

July 31, 2015

TO: Collin County Water Control & Improvement District #3 Board of Directors

FROM: Bo Daffin, Chief Appraiser *Bo Daffin*

RE: Estimate of Value, as of July 15, 2015

Per your earlier request, as provided by the Texas Property Tax Code, please be advised that I hereby certify that the estimated taxable value of properties located in Collin County Water Control & Improvement District #3, Inspiration, as of July 15, 2015 is \$48,000,000.

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APPENDIX E

Form of Bond Counsel's Opinion

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COATS | ROSE

October 14, 2015

WE HAVE ACTED as bond counsel in connection with the issuance by Collin County Water Control and Improvement District No. 3 (the “District”) of its bonds styled “Collin County Water Control and Improvement District No. 3 Unlimited Tax Road Bonds, Series 2015” (the “Bonds”) dated September 15, 2015, issued in the aggregate principal amount of \$5,110,000, maturing on September 15 in the years 2017 through 2029, inclusive, 2031, 2033, 2036, 2040. The Bonds maturing in the years 2026 and thereafter are subject to redemption prior to maturity on September 15, 2025, or on any date thereafter, for the par value thereof plus accrued and unpaid interest to the date of redemption.

THE BONDS BEAR INTEREST from September 15, 2015 or from the most recent interest payment date to which interest has been paid or duly provided for with such interest being payable on March 15, 2016 and semiannually thereafter on each September 15 and March 15 thereafter to maturity, at the following interest rates for the respective maturity dates of the Bonds:

<u>YEAR OF STATED MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE %</u>
2017	\$130,000	2.000%
2018	135,000	2.000%
2019	140,000	2.000%
2020	145,000	2.250%
2021	145,000	2.500%
2022	150,000	2.750%
2023	160,000	3.000%
2024	165,000	3.000%
2025	170,000	3.250%
2026	175,000	3.500%
2027	185,000	3.500%
2028	195,000	3.625%
2029	200,000	3.750%

The Term Bonds shall mature on the fifteenth day of September in each of the years, and in the amounts, respectively, set forth below. Such bonds shall bear interest from the Initial Date (as defined in the Bond Order) or the most recent Interest Payment Date (as defined in the Bond Order) to which interest has been paid or duly provided for at the following per annum rates:

<u>YEAR OF STATED MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE %</u>
2031	\$430,000	4.000%
2033	\$480,000	4.000%
2036	\$810,000	4.125%
2040	\$1,295,000	4.250%

The Term Bonds are subject to mandatory redemption on September 15 in the year and in the amount set forth below (subject to reduction by optional redemption as provided in the Bond Order) at a

price equal to the principal amount of such Bond or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

<u>2031 Term Bond</u>	<u>\$430,000</u>
Year of <u>Mandatory Redemption</u>	Principal <u>Amount</u>
2030	\$210,000
2031	\$220,000
<u>2033 Term Bond</u>	<u>\$480,000</u>
Year of <u>Mandatory Redemption</u>	Principal <u>Amount</u>
2032	\$235,000
2033	\$245,000
<u>2036 Term Bond</u>	<u>\$810,000</u>
Year of <u>Mandatory Redemption</u>	Principal <u>Amount</u>
2034	\$255,000
2035	\$270,000
2036	\$285,000
<u>2040 Term Bond</u>	<u>\$1,295,000</u>
Year of <u>Mandatory Redemption</u>	Principal <u>Amount</u>
2037	\$300,000
2038	\$315,000
2039	\$330,000
2040	\$350,000

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of materials pertaining to the Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board of Directors of the District, including, among other things, an order authorizing the issuance of the Bonds (the "Bond Order"), together with certificates of officers, agents and representatives of the District and other documents relating to the authorization and issuance of the Bonds. We have also reviewed and examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, court decisions, and rulings of the Internal Revenue Service and such other materials as we deemed necessary to render the opinions hereinafter expressed.

BASED ON SUCH EXAMINATION, WE ARE OF THE OPINION THAT:

1. The Bonds have been duly authorized and issued in conformity with the Constitution and laws of the State of Texas now in force and are valid and legally binding obligations of the District, enforceable in accordance with the terms and conditions set forth therein, except to the extent that the enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable, as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, on all taxable property in the District not exempt from taxation by or under applicable law. Furthermore, the District is required to levy and assess, for each year while any of the Bonds are outstanding, an ad valorem tax on all taxable property within the District sufficient to pay interest on and the maturing principal of the Bonds, and the expenses of assessing and collecting such tax, as provided in the Bond Order.

3. Interest on the Bonds is excludable from gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code and existing regulations, court decisions, and rulings, assuming continuing compliance by the District with the provisions of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

In providing the foregoing opinions, we have relied upon representations of the District with respect to matters solely within the knowledge of the District, which we have not independently verified, and we have assumed the accuracy and completeness of, and the District's continuing compliance with, the representations and covenants contained in the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing provisions of the Bond Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion with respect to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. The law upon which this opinion is based is subject to change by the Congress and the Department of the Treasury and by subsequent judicial and administrative interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of ownership of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to financial institutions, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, owners of interests in a FASIT, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

COATS, ROSE, YALE, RYMAN & LEE, P.C.

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Financial Advisory Services
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