

**TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 10**  
(Travis County, Texas)

**PRELIMINARY OFFICIAL STATEMENT**

DATED: NOVEMBER 20, 2009

**\$3,570,000  
WATERWORKS AND SEWER SYSTEM  
COMBINATION UNLIMITED TAX AND REVENUE BONDS  
SERIES 2010**

BIDS DUE: 12:00 NOON, HOUSTON TIME  
BONDS AWARDED: 2:00 P.M., HOUSTON TIME  
TUESDAY, JANUARY 12, 2010  
HOUSTON, TEXAS



This Official Notice of Sale does not alone constitute an offer to sell, but is merely notice of sale of the bonds described herein. The offer to sell such bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**OFFICIAL NOTICE OF SALE**

**\$3,570,000**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10**

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

**WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS  
SERIES 2010**

**Bids Due: Tuesday, January 12, 2010, at 12:00 Noon, Houston Time**  
**Bonds Awarded: Tuesday, January 12, 2010, at 2:00 P.M., Houston Time**

This Official Notice of Sale does not alone constitute an offer to sell, but is merely notice of sale of the bonds described herein. The offer to sell such bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Official Statement.

OFFICIAL NOTICE OF SALE

\$3,570,000

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

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

WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS  
SERIES 2010

**BONDS OFFERED FOR SALE AT COMPETITIVE BID:** The Board of Directors (the "Board") of Travis County Municipal Utility District No. 10 (the "District"), is offering for sale at competitive bid \$3,570,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Bonds"). Options to submit bids on the Bonds are only the following:

- (1) Deliver bids directly to the District as is described below under the caption "Sealed Bids Delivered to the District;"
- (2) Submit bids electronically as is described below under the caption "Electronic Bidding Procedures;"  
or
- (3) Submit bids by telephone as is described below under the caption "Bids by Telephone."

***The District will not accept bids submitted by facsimile.***

**PLACE AND TIME OF BID OPENING:** The District will open sealed bids for the purchase of the Bonds on Tuesday, January 12, 2010, at 2:00 P.M., Houston Time, at 1405 Osprey Ridge Loop, Lago Vista, Texas 78645. The bids for the Bonds will be opened and publicly read by Rathmann & Associates, L.P., the District's Financial Advisor and authorized representative of the Board. The Board will then take action to reject the bids or accept the bid that produces the lowest net effective interest rate for the Bonds. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

**SEALED BIDS DELIVERED TO THE DISTRICT:** Sealed bids, which must be submitted in duplicate executed by an authorized representative of the bidder on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to "President and Board of Directors, Travis County Municipal Utility District No. 10" and delivered to the District in care of Rathmann & Associates, L.P., at the above address prior to 12:00 Noon, Houston Time, on Tuesday, January 12, 2010. Any bid received after such scheduled time for bid opening will not be accepted.

**ELECTRONIC BIDDING PROCEDURES:** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 12:00 Noon, Houston Time, on Tuesday, January 12, 2010. No bid will be accepted after the time for receiving bids specified above. Bidders must submit to R. Craig Rathmann, Rathmann & Associates, L.P., Four Houston Center, 1331 Lamar, Suite 1050, Houston, Texas 77010, prior to 5:00 P.M., Houston Time, on Monday, January 11, 2010, two signed original Official Bid Forms executed as described above under "Sealed Bids Delivered to the District." Subscription to i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. Neither the District nor Rathmann & Associates, L.P. will confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds under the terms expressed in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being at the sole risk of the prospective bidder.

If any provisions of this Official Notice of Sale conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY Customer Support, 40 West 23<sup>rd</sup> Street, 5<sup>th</sup> Floor, New York, New York 10010, telephone: (212) 806-8304.

For purposes of any and all bids submitted to the District, the time as maintained by PARITY shall constitute the official time. For informational purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "CONDITIONS OF SALE - BASIS OF AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form.

**BIDS BY TELEPHONE:** Bidders must submit two signed original Official Bid Forms executed by an authorized representative of the bidder to R. Craig Rathmann, Rathmann & Associates, L.P., Four Houston Center, 1331 Lamar, Suite 1050, Houston, Texas 77010 prior to 5:00 P.M., Houston Time, on Monday, January 11, 2010, executed as described above under "SEALED BIDS DELIVERED TO THE DISTRICT." Bidders who have provided signed bid forms may submit bids by telephone pursuant to arrangements made with the District's Financial Advisor, R. Craig Rathmann, Rathmann & Associates, L.P., but no later than 12:00 Noon, Houston Time, Tuesday, January 12, 2010. Inquiries with respect to this procedure may be directed to R. Craig Rathmann, Rathmann & Associates, L.P. at (713) 751-1890.

**DISCLAIMER OF RESPONSIBILITY:** *Neither the District nor Rathmann & Associates, L.P. will be responsible for the submission of any bid(s) received after the filing deadline, nor does the District or Rathmann & Associates, L.P. assume any responsibility or liability with respect to any irregularities or errors associated with the submission of any bid.*

**AWARD AND SALE OF THE BONDS:** The Board will take action to reject the bids or accept the bid that produces the lowest net effective interest rate for the Bonds at a meeting to be held at 1405 Osprey Ridge Loop, Lago Vista, Texas 78645, at 2:00 P.M., Houston Time, Tuesday, January 12, 2010. The District will take action to adopt a resolution (the "Bond Resolution") authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly after the opening of bids. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

## THE BONDS

**DESCRIPTION OF CERTAIN TERMS OF THE BONDS:** The Bonds will be dated and will accrue interest from February 1, 2010, with interest payable on September 1, 2010 (seven-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form. Principal will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). The Bonds will be registered 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 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 as described herein. See "THE BONDS – Book-Entry-Only System." The Bonds will mature serially on September 1 in each of the following years in the following amounts:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011*	\$40,000	2024*	\$ 80,000
2012*	40,000	2025*	85,000
2013*	45,000	2026*	90,000
2014*	45,000	2027*	95,000
2015*	50,000	2028*	100,000
2016*	55,000	2029*	110,000
2017*	55,000	2030*	265,000
2018*	60,000	2031*	280,000
2019*	60,000	2032*	300,000
2020*	65,000	2033*	320,000
2021*	70,000	2034*	345,000
2022*	75,000	2035*	370,000
2023*	75,000	2036*	395,000

- \* At the option of the Underwriter (hereinafter defined) as specified in the Official Bid Form, any or all of such serial maturities may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year.

The Bonds maturing on and after September 1, 2018, are subject to redemption and payment, at the option of the District, in whole or, from time to time, in part, on September 1, 2017, or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amount, and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of an exchange Bond in a principal amount equal to the portion of the Bond not so redeemed.

**SECURITY FOR PAYMENT:** The Bonds, when issued, will constitute valid and binding obligations of the District, payable as to principal and interest 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 and are further payable from, and secured by a pledge of and lien on certain Net Revenues (as defined in the Preliminary Official Statement), if any, derived from the operation of the District's waterworks, sanitary sewer, and drainage and storm sewer system (the "System") to the extent and upon the conditions described in the Preliminary Official Statement. See "THE BONDS - Source of Payment" in the Preliminary Official Statement.

**OTHER TERMS AND COVENANTS:** Other terms of the Bonds and the various covenants of the District contained in the Bond Resolution are described in the Preliminary Official Statement, to which reference is made for all purposes.

**MUNICIPAL BOND RATING:** The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

#### CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an "all or none" basis at a price of not less than 97% of the principal amount thereof, plus accrued interest from the date of the Bonds to the date of delivery. Bidders are to name the rates of interest to be borne by the Bonds, provided that each interest rate bid must be a multiple of 1/8th or 1/20th of 1%. All Bonds maturing within a single year must bear the same rate of interest. The net effective interest rate on the Bonds may not exceed \_\_\_\_% as calculated pursuant to Chapter 1204, Texas

Government Code, as amended. No limitation will be imposed upon bidders as to the number of rates which may be used, but the highest rate bid may not exceed the lowest rate bid by more than 2-1/2% in interest rate. No bids involving supplemental interest payments will be considered. Each bid shall indicate the total and net interest costs in dollars and the net effective interest rate determined therefrom, which shall be considered informative only and not as a part of the bid.

**BASIS OF AWARD:** For the purpose of awarding sale of the Bonds, the interest cost of each bid will be computed by determining, at the rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities, and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. Subject to the District's right to reject any or all bids, sale of the Bonds will be awarded to the bidder (the "Underwriter") whose bid, under the above computation, produces the lowest net interest cost to the District. The Board reserves the right to reject any or all bids. In the event of mathematical discrepancies between the interest rate(s) bid and the interest cost determined therefrom, as both appear on the Official Bid Form, the bid will be governed solely by the interest rate(s) bid.

**GOOD FAITH DEPOSIT:** Each bid must be accompanied by a bank cashier's check payable to the order of "Travis County Municipal Utility District No. 10" in the amount of \$71,400, which is 2% of the principal amount of the Bonds (the "Good Faith Deposit"). The check of the Underwriter will be considered as the Good Faith Deposit and will be retained uncashed by the District pending the Underwriter's compliance with the terms of the bid. In the event the Underwriter should fail or refuse to take up and pay for the Bonds in accordance with such terms, then the Good Faith Deposit will be cashed and the proceeds accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the bid or it may be submitted separately; if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as the Good Faith Deposit of bidders named in such instructions. **The Good Faith Deposit of the Underwriter will be returned to the Underwriter uncashed on the date of delivery of the Bonds.** No interest will be credited on the Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

#### OFFICIAL STATEMENT

To assist the Underwriter in complying with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), the District and the Underwriter contract and agree, by the submission and acceptance of the winning bid, as follows.

**FINAL OFFICIAL STATEMENT:** The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District intends the Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Underwriter and other similar information, terms and provisions to be specified in the competitive bidding process. The Underwriter shall be responsible for promptly informing the District of the initial offering yields of the Bonds. Thereafter, the District will complete and authorize distribution of the Official Statement identifying the Underwriter and containing such omitted information. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Underwriter on or after the sale date, the District intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12 (f) (3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are being or which will be made by the District are those described and contained in the Official Statement under the caption "SOURCES OF INFORMATION - Certification of Official Statement."

CHANGES TO 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, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery," 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 do so 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 customers.

DELIVERY OF OFFICIAL STATEMENTS: The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential purchasers of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement specified in the winning bid and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

#### DELIVERY AND ACCOMPANYING DOCUMENTS

DELIVERY OF INITIAL BONDS: Delivery will be accomplished by the issuance of one initial Bond in the amount of \$3,570,000, registered in the name of Cede & Co., payable in stated installments, exchangeable as set forth below. Unless otherwise agreed with the Underwriter, delivery will be at the principal payment office of the Registrar in Houston, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Underwriter will be given five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about February 9, 2010, and subject to the aforesaid notice, it is understood and agreed that the Underwriter will accept delivery and make payment for the Initial Bond by 10:00 A.M., Houston Time, on February 9, 2010, or thereafter on the date the Initial Bond is tendered for delivery, up to and including March 9, 2010. If for any reason the District is unable to make delivery on or before March 9, 2010, then the District immediately shall contact the Underwriter and offer to allow the Underwriter to extend its offer for an additional thirty (30) days. If the Underwriter does not elect to extend its offer within six (6) days thereafter, then the Good Faith Deposit will be returned, and both the District and the Underwriter shall be relieved of any further obligation.

DTC DEFINITIVE BONDS: After delivering the Initial Bond, the Initial Bond will be immediately exchanged for definitive Bonds, consisting of one Bond for each maturity, issued in book-entry-only form. Such definitive Bonds will be registered in the name of Cede & Co. as the nominee for DTC. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchase of beneficial interests in the Bonds will be made in book-entry-only form (without registered Bonds) in the denominations of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for one or more fully registered Bonds of like principal amount for the Bonds. See "THE BONDS - Book-Entry-Only System" in the Preliminary Official Statement.

CUSIP NUMBERS: In the event the book-entry-only system is discontinued, it is anticipated that CUSIP identification numbers will then be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the

Bonds in accordance with the terms of this Official Notice of Sale. All expenses relating to the printing of CUSIP numbers on the Bonds shall be paid for by the District; however, payment of the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of the Underwriter.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Underwriter's receipt of the Bonds, the Underwriter's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. Further, the Underwriter is not obligated to take up and pay for the Bonds at Initial Delivery if at any time after the award of the Bonds and at or prior to Initial Delivery, the Congress of the United States shall have declared war or a national emergency. In addition, if the District fails to comply with its obligations described under "OFFICIAL STATEMENT" below, the Underwriter may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**CERTIFICATION REGARDING OFFERING PRICE OF BONDS:** In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Underwriter will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding the "issue price" of the Bonds substantially in the form accompanying this Official Notice of Sale. In the event the Underwriter will not reoffer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner acceptable to the District. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Underwriter to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

**LEGAL OPINIONS:** The District will furnish without cost to the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the unqualified approving legal 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 Bonds are validly issued under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, and are further payable and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system, and, based upon an examination of such transcript of proceedings, the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to a like effect and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not subject to the alternative minimum tax on individuals and corporations.

**QUALIFIED TAX-EXEMPT OBLIGATIONS:** The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$30,000,000 for tax-exempt obligations issued after December 31, 2008 and before January 1, 2011.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2010 is not expected to exceed \$30,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than 30,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2010.



An additional exception to the foregoing provision is provided in the Code for an amount of tax-exempt obligations issued after December 31, 2008 and before January 1, 2011, the total amount of which does not exceed 2 percent of the adjusted basis of all of the assets of the financial institution.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

**NO-LITIGATION CERTIFICATE:** With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and furnish to the Initial Purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending against the District, of which the District has notice, to restrain the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

**NO MATERIAL ADVERSE CHANGE:** The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

#### GENERAL CONSIDERATIONS

**RISK FACTORS:** The Bonds involve certain investment risks as set forth in the Preliminary Official Statement. Prospective purchasers should carefully review the entire Preliminary Official Statement before making their investment decision. Particular attention should be given to the information set forth therein under the caption "RISK FACTORS."

**NOT AN OFFER TO SELL:** This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

**SECURITIES REGISTRATION AND QUALIFICATION:** No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws or regulations of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws or regulations 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 jurisdictions.

By submission of a bid, the Underwriter represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Underwriter will register or qualify the Bonds in accordance with the securities laws or regulations of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification, in any jurisdiction where such action is necessary, provided that the District shall not be required to file a general consent to service of process in any jurisdiction.

**RECORD DATE:** The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

**CONTINUING DISCLOSURE AGREEMENT:** The District will agree in the Bond Resolution provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Underwriter's obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or its agent of a certified copy of the Bond Resolution containing the agreement described under such heading.

SUBSTANTIVE REQUIREMENTS FOR OFFICIAL STATEMENT: During the last five years, the District has complied in all material respects with its continuing disclosure agreements.

ADDITIONAL COPIES: Additional copies of the Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement may be obtained from the District's Financial Advisor, Rathmann & Associates, L.P., Four Houston Center, 1331 Lamar, Suite 1050, Houston, Texas 77010.

Harvey Reiter  
President, Board of Directors  
Travis County Municipal Utility District No. 10

November 20, 2009

# CERTIFICATE OF UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of \$3,570,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Bonds"):

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the "Underwriter") which has purchased the Bonds from Travis County Municipal Utility District No. 10 (the "District") at competitive sale.
2. The first price for each maturity of the Bonds at which a substantial amount (at least ten percent) of such maturity is sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below:

<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>
\$40,000	2011	_____	\$80,000	2024	_____
40,000	2012	_____	85,000	2025	_____
45,000	2013	_____	90,000	2026	_____
45,000	2014	_____	95,000	2027	_____
50,000	2015	_____	100,000	2028	_____
55,000	2016	_____	110,000	2029	_____
55,000	2017	_____	265,000	2030	_____
60,000	2018	_____	280,000	2031	_____
60,000	2019	_____	300,000	2032	_____
65,000	2020	_____	320,000	2033	_____
70,000	2021	_____	345,000	2034	_____
75,000	2022	_____	370,000	2035	_____
75,000	2023	_____	395,000	2036	_____

3. The Underwriter has made a bona fide offering to the public of all of the Bonds of each maturity at the issue prices to the public as set forth above. Such issue prices have not been changed if part of the Bonds is later sold at a different price. The issue prices set forth above are determined on the date the Bonds were purchased by the Underwriters (the "sale date") based on the reasonable expectations regarding the initial public offering prices. At least 10 percent of the Bonds, except for the Bonds maturing in \_\_\_\_\_, were sold to the public at initial offering prices not greater than the respective prices shown in the Official Statement, or in the case of discount obligations sold on a yield basis, at yields no lower than the respective yields shown in the Official Statement. For the Bonds maturing in \_\_\_\_\_, the Underwriter reasonably expected, as of the date such Bonds were purchased by the Underwriter, to sell a substantial amount of each maturity of such Bonds to the public at prices not greater than the respective prices shown in the Official Statement or, in the case of discount obligations sold on a yield basis, at yields no lower than the respective yields shown in the Official Statement.

4. None of the issue prices described above exceeds the fair market value for such Bonds on the sale date.

5. The Underwriters [have] [have not] purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from \_\_\_\_\_ (the "Insurer") for a premium cost of \$\_\_\_\_\_ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance exceeds the present value of the insurance premium discounted

6. The term "public," as used herein, does not include bondhouses, brokers, dealers and similar persons or organizations acting in the capacity of underwriters or wholesalers.

7. The undersigned understands that the statements made herein will be relied upon by the District in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED AND DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
(Name of Underwriter or Manager)

By \_\_\_\_\_

Title \_\_\_\_\_

# OFFICIAL BID FORM

January 12, 2010

President and Board of Directors  
Travis County Municipal Utility District No. 10  
c/o Rathmann & Associates, L.P.  
Four Houston Center  
1331 Lamar, Suite 1050  
Houston, Texas 77010

Board Members:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Travis County Municipal Utility District No. 10 (the "District") relating to its \$3,570,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the investment risks set forth in the Preliminary Official Statement. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$\_\_\_\_\_ (which represents \_\_\_\_\_% of the principal amount thereof), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2011(i)	\$40,000	_____	2024(i)(ii)	\$ 80,000	_____
2012(i)	40,000	_____	2025(i)(ii)	85,000	_____
2013(i)	45,000	_____	2026(i)(ii)	90,000	_____
2014(i)	45,000	_____	2027(i)(ii)	95,000	_____
2015(i)	50,000	_____	2028(i)(ii)	100,000	_____
2016(i)	55,000	_____	2029(i)(ii)	110,000	_____
2017(i)	55,000	_____	2030(i)(ii)	265,000	_____
2018(i)(ii)	60,000	_____	2031(i)(ii)	280,000	_____
2019(i)(ii)	60,000	_____	2032(i)(ii)	300,000	_____
2020(i)(ii)	65,000	_____	2033(i)(ii)	320,000	_____
2021(i)(ii)	70,000	_____	2034(i)(ii)	345,000	_____
2022(i)(ii)	75,000	_____	2035(i)(ii)	370,000	_____
2023(i)(ii)	75,000	_____	2036(i)(ii)	395,000	_____

Our calculation (which is not a part of this bid) of the interest cost from the above is:

Total Interest Cost from February 1, 2010 .....	\$ _____
Plus: Cash Discount .....	\$ _____
Net Interest Cost .....	\$ _____
Net Effective Interest Rate .....	_____ %

- (i) Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows:

<u>Term Bonds</u> <u>Maturity Date</u> <u>(September 1)</u>	<u>Year of First</u> <u>Mandatory Redemption</u>	<u>Principal Amount</u> <u>of Term Bonds</u>	<u>Interest</u> <u>Rate</u>
_____	_____	\$ _____	_____ %
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

- (ii) Subject to optional redemption beginning September 1, 2017, at a price equal to the principal amount thereof plus accrued interest.

We will require \_\_\_\_\_ copies of the final Official Statement for dissemination to potential purchasers of the Bonds. By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Underwriter described therein, as contemplated by Rule 15c2-12 of the United States Securities and Exchange Commission.

The Initial Bonds shall be registered in the name of Cede & Co.

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, and payable to your order in the amount of \$71,400 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions stated in the Official Notice of Sale, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Underwriter uncashed on the date of delivery of the Bonds.

We agree to make payment for the Initial Bonds in immediately available funds at the offices of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, not later than 10:00 A.M., Houston Time, on February 9, 2010, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. In addition, in the event all of the Bonds are not sold to ultimate customers prior to the date of delivery of the Bonds, we will so notify the District on such date.

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

#### ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Travis County Municipal Utility District No. 10, this 12<sup>th</sup> day of January, 2010.

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

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

Return of \$71,400 Good Faith Deposit is hereby acknowledged:

Firm: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

(For your information you will find attached a list of the group of underwriters associated with us in this proposal.)

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10**  
**\$3,570,000**  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE BONDS**  
**SERIES 2010**

**BOND YEARS**

Interest accrues from: February 1, 2010

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>
2011	\$40,000	63.3333	63.3333
2012	40,000	103.3333	166.6667
2013	45,000	161.2500	327.9167
2014	45,000	206.2500	534.1667
2015	50,000	279.1667	813.3333
2016	55,000	362.0833	1,175.4167
2017	55,000	417.0833	1,592.5000
2018	60,000	515.0000	2,107.5000
2019	60,000	575.0000	2,682.5000
2020	65,000	687.9167	3,370.4167
2021	70,000	810.8333	4,181.2500
2022	75,000	943.7500	5,125.0000
2023	75,000	1,018.7500	6,143.7500
2024	80,000	1,166.6667	7,310.4167
2025	85,000	1,324.5833	8,635.0000
2026	90,000	1,492.5000	10,127.5000
2027	95,000	1,670.4167	11,797.9167
2028	100,000	1,858.3333	13,656.2500
2029	110,000	2,154.1667	15,810.4167
2030	265,000	5,454.5833	21,265.0000
2031	280,000	6,043.3333	27,308.3333
2032	300,000	6,775.0000	34,083.3333
2033	320,000	7,546.6667	41,630.0000
2034	345,000	8,481.2500	50,111.2500
2035	370,000	9,465.8333	59,577.0833
2036	395,000	10,500.4167	70,077.5000
Total Bond Years:		70,077.50	
Average Maturity:		19.630 years	



## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 20, 2009

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS — Qualified Tax-Exempt Obligations."

### NEW ISSUE — Book-Entry Only

# \$3,570,000

## TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

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

### WATERWORKS AND SEWER SYSTEM

### COMBINATION UNLIMITED TAX AND REVENUE BONDS

### SERIES 2010

Dated: February 1, 2010

Due: September 1

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from February 1, 2010, and is payable on September 1, 2010 (seven-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds will be registered 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 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 as described herein. See "THE BONDS — Book-Entry-Only System."

### MATURITY SCHEDULE

Principal Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)	Principal Amount	Maturity	Interest Rate	Initial Reoffering Yield(a)
\$ 40,000	2011	%	%	\$ 80,000	2024(b)	%	%
40,000	2012			85,000	2025(b)		
45,000	2013			90,000	2026(b)		
45,000	2014			95,000	2027(b)		
50,000	2015			100,000	2028(b)		
55,000	2016			110,000	2029(b)		
55,000	2017			265,000	2030(b)		
60,000	2018(b)			280,000	2031(b)		
60,000	2019(b)			300,000	2032(b)		
65,000	2020(b)			320,000	2033(b)		
70,000	2021(b)			345,000	2034(b)		
75,000	2022(b)			370,000	2035(b)		
75,000	2023(b)			395,000	2036(b)		

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (b) The Bonds maturing on and after September 1, 2018, are subject to redemption prior to maturity at the option of Travis County Municipal Utility District No. 10 (the "District"), as a whole or in part, on September 1, 2017, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such random selection method as is determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the second series of combination unlimited tax and revenue bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system to serve the District. The District has previously issued \$1,920,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the "Series 2004 Bonds" or the "Outstanding Bonds") \$1,730,000 of which are currently outstanding. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District have authorized a total of \$20,300,000 principal amount of bonds for the purpose of constructing a waterworks, sanitary sewer and storm drainage system to serve the District. Following the issuance of the Bonds, \$14,810,000 principal amount of unlimited tax bonds authorized by the District's voters will remain unissued. See "THE BONDS — Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "THE BONDS — Source of Payment." Neither the State of Texas, the City of Austin, Texas, the City of Lago Vista, Texas, Travis County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or Travis County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered 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 Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by McCall, Parkhurst & Horton L.L.P., Dallas Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about February 9, 2010, at The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas.

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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 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 the Official Statement until delivery of the Bonds to the Initial Purchaser of the Bonds (as hereinafter defined) and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "RISK FACTORS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by \_\_\_\_\_ (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of \_\_\_\_\_ % of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of \_\_\_\_\_ %, as calculated pursuant to Chapter 1204, Texas Government Code.

**Marketability**

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

The prices and other terms respecting 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 price, 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 PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**Securities Laws**

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

**Municipal Bond Rating**

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

## OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

### THE BONDS

The Issuer .....	Travis County Municipal Utility District No. 10 (the "District") is a political subdivision of the State of Texas located within Travis County, Texas. See "THE DISTRICT - General."
Description .....	\$3,570,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010, are dated February 1, 2010, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement. Interest on the Bonds accrues from February 1, 2010, and is payable on September 1, 2010 (seven-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds scheduled to mature on and after September 1, 2018, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2017, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See "THE BONDS."
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
Source of Payment .....	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 upon all taxable property within the District, and are further payable from and secured by a pledge of and lien on the Net Revenues (as defined herein), if any, of the District's Waterworks and Sewer System (the

“System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. . See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “RISK FACTORS - Maximum Impact on District Tax Rates” and - “Production of Net Revenues.

Use of Proceeds .....	Proceeds of the sale of the Bonds will be used by the District to (i) finance (a) offsite water and wastewater facilities for Waterford on Lake Travis, Section 5; (b) land costs for water plant, wastewater treatment plant Phase 1, Lift Stations 1 and 2, and Waterford on Lake Travis, Section 7 water quality ponds; (c) clearing for water plant Phase 3, and Waterford on Lake Travis, Sections 2A, 3, 5 and 6; and (d) water, wastewater and drainage facilities to serve Waterford on Lake Travis, Sections 2, 3, and 6; (ii) pay engineering fees associated with such construction projects; (iii) pay interest on advances that have been made on the District’s behalf; (iv) capitalize a sum equal to the initial twenty-four months of interest payments on the Bonds which the District will deposit in the District’s Debt Service Fund; and (v) pay for administrative costs, legal fees, fiscal agent’s fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”
Payment Record .....	The Bonds are the second series of bonds issued by the District. The District has previously issued \$1,920,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the “Series 2004 Bonds” or the “Outstanding Bonds”), \$1,730,000 of which is currently outstanding.
Authorized But Unissued Bonds .....	\$14,810,000 for waterworks, wastewater, and drainage facilities (after issuance of the Bonds) and \$13,200,000 for refunding purposes. See “THE BONDS - Issuance of Additional Debt.”
Municipal Bond Rating .....	The District has made no application for a municipal bond rating of the Bonds, nor it is expected that the District would have been successful in receiving an investment grade rating had such an application been made. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Rating.”
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS.”
Disclosure Counsel .....	McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.

Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”
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## THE DISTRICT

Description .....	<p>The District is a political subdivision of the State of Texas, created originally as Point Venture II Municipal Utility District by Order of the Texas Water Commission (now the Texas Commission on Environmental Quality, the “TCEQ”) on May 17, 1989. The District contains approximately 589.771 acres of land. The District is located entirely within Travis County, Texas. A portion of the District is located within the extraterritorial jurisdiction (“ETJ”) of the City of Austin, Texas (“Austin”) and the remainder of the District is located within the ETJ of the City of Lago Vista, Texas (“Lago Vista”). Austin and Lago Vista entered into an Interlocal Cooperation Agreement dated April 15, 2004 (the “Austin - Lago Vista Agreement”), pursuant to which Austin delegated certain urban planning and subdivision development regulations for all of the property in the District to Lago Vista. Consequently, subdivision plats and the plans and specifications for all roads and District utilities are to be reviewed and approved by Lago Vista, not Austin. The Austin - Lago Vista Agreement also sets forth the framework for the eventual transference of the property currently within the ETJ of Austin to the ETJ of Lago Vista. The District is located on Lake Travis, approximately 26 miles northwest of the central business district of Austin, and approximately 5 miles south of the intersection of Lohmans Ford Road and FM 1431. The entrance to the District is located on Lohmans Ford Road, approximately 5 miles south of Lago Vista. The District lies wholly within the Lago Vista Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”</p>
Authority .....	<p>The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”</p>
Development and Home Construction .....	<p>As of December 1, 2009, the District contained a total of 57 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot plus the completed 71-unit Waterstone Condominiums on Lake Travis. Single-family homes that have been constructed in the District range from approximately 2,500 to 12,000 square feet of living area and in valuation from approximately \$600,000 to \$5,000,000. The Waterstone Condominiums on Lake Travis range in size from</p>



approximately 1,470 to 1,915 square feet of living area and in sales price from approximately \$396,230 to \$635,000. See "DEVELOPMENT AND HOME CONSTRUCTION" for an enumeration of the status of development and home construction within the District.

According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities (the "System") and street paving have been completed to serve 212 single-family residential lots and the 71-unit Waterstone Condominiums on Lake Travis as follows: (i) approximately 49.3 acres have been developed as Waterford on Lake Travis, Section 1, consisting of 54 single-family residential lots, (ii) approximately 20.1 acres have been developed as Waterford on Lake Travis, Section 2, consisting of 28 single-family residential lots, (iii) approximately 26.3 acres have been developed as Waterford on Lake Travis, Section 3, consisting of 30 single-family residential lots; (iv) approximately 11.7 acres have been developed as Waterford on Lake Travis, Section 3D, consisting of 10 single-family residential lots, (v) approximately 44.6 acres have been developed as Waterford on Lake Travis, Section 4A, consisting of 62 single-family residential lots plus an 80-slip marina and parking lot; (vi) approximately 28.9 acres have been developed as Waterford on Lake Travis, Section 6, consisting of 25 single-family residential lots, (vii) approximately 25.0 acres have been developed as Waterford on Lake Travis, Section 7, consisting of the 71-unit Waterstone Condominiums on Lake Travis, and (viii) approximately 1.0 acre has been developed as 3 single-family residential lots. The balance of the land located in the District consists of approximately 113.4 currently undeveloped acres which are available for future development, and approximately 288.9 acres which that are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 288.9 acres lies within the platted area of certain of the aforementioned subdivisions).

Waterstone Development, L.P. ("WD") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"), the developer of the Waterstone Condominiums on Lake Travis, initially conveyed 7 of such condominiums to purchasers subsequent to the April, 2009, completion of the project (2 of which purchasers are principals of WD). WD offered 25 of the units for sale at auction on November 15, 2009. The auction resulted the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such condominium units not determinable. Therefore, the District

cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units.

In September, 2004, Waterford LT Partners, L.P. ("Waterford Partners") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS") acquired a total of approximately 474.2 acres of land, approximately 324.6 acres of which are located within the District, from the original developer of the District through foreclosure. The original developer had developed Waterford on Lake Travis, Sections 1 and 2, consisting of approximately 69.4 acres, 82 single-family residential lots, and conveyed all 82 lots located in Waterford on Lake Travis, Sections 1 and 2 to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Approximately 239.0 of such total of approximately 324.6 acres located within the District are developable, and the balance thereof is not developable as is described above. Waterford Partners completed the development of Waterford on Lake Travis, Section 3 (approximately 26.3 acres, 30 single-family residential lots) in May, 2007, and has sold 25 of such 30 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Waterford Partners substantially completed the development of Waterford on Lake Travis, Section 4A (approximately 44.6 acres, 62 single-family residential lots plus an 80-slip marina and parking lot) in October, 2008, and has sold 11 of such 62 lots to custom home builders, or to individual lot purchasers. Waterford Partners completed the development of Waterford on Lake Travis, Section 6 (approximately 28.9 acres, 25 single-family residential lots) in April, 2008, and has sold 19 of such 25 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. In 2005 Waterford Partners sold approximately 25 acres (Waterford on Lake Travis, Section 7) located within the District to Waterstone Development, L.P. ("WD") which has completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon. See "DEVELOPMENT AND HOME CONSTRUCTION" for an enumeration of the status of home construction within the District. Waterford Partners owns a total of approximately 70.1 acres of currently undeveloped land located within the District that it expects to develop as approximately 71 future single-family residential lots. Approximately 43.3 acres located within the District (future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA"). Neither Waterford Partners nor HA is under any obligation to the District to

undertake the development of any currently undeveloped portion of the District according to any particular timetable or, at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT," TAX DATA - Principal 2009 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

The District financed the cost of construction of Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I, and Lift Station No. 1, with portions of the proceeds of the sale of the Series 2004 Bonds. The District will finance the cost of acquisition or construction of the aforementioned components of the System that serve Waterford on Lake Travis, Sections 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, and other facilities with portions of the proceeds of the sale of the Bonds, as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District anticipates financing the cost of acquisition of the aforementioned components of the System that serve Waterford on Lake Travis, Sections 1, 4A and 7, the Water Treatment Plant, Transmission Main and Intake Barge, the cluster septic system, the Wastewater Treatment Plant, Phase 2, and other facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE SYSTEM."

#### Developer and Other Principal Land Owners . . . . .

In September, 2004, Waterford LT Partners, L.P. ("Waterford Partners"), a Texas limited partnership whose general partner is Waterford Investments, Inc., a Texas corporation, acquired a total of approximately 474.2 acres of land, approximately 324.6 acres of which are located within the District, from the original developer of the District through foreclosure. The limited partners of Waterford Partners are Joe Longbotham, Ranier WT Investors, Waterford Equity Partners and Waterford New Equity Partners. The original developer had developed Waterford on Lake Travis, Sections 1 and 2, consisting of approximately 69.4 acres, 82 single-family residential lots, and conveyed all 82 lots located in Waterford on Lake Travis, Sections 1 and 2 to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Approximately 239.0 of such total of approximately 324.6 acres located within the District are developable, and the balance is not developable as is described above under the caption "Development and Home Construction." Waterford Partners completed the development of Waterford on Lake Travis, Section 3 (approximately 26.3 acres, 30 single-family residential lots) in May, 2007, and has sold 25 of such 30 lots to custom home builders that have constructed homes for sale to purchasers, or

to individual lot purchasers some of whom have retained third party builders to construct homes for them. Waterford Partners substantially completed the development of Waterford on Lake Travis, Section 4A (approximately 44.6 acres, 62 single-family residential lots plus an 80-slip marina and parking lot) in October, 2008, and has sold 11 of such 62 lots to custom home builders, or to individual lot purchasers. Waterford Partners completed the development of Waterford on Lake Travis, Section 6 (approximately 28.9 acres, 25 single-family residential lots) in April, 2008, and has sold 19 of such 25 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. See "DEVELOPMENT AND HOME CONSTRUCTION" for a delineation of the status of home construction in the District and for a description (expressed as a range of valuation and square footage of living area) of such homes. In 2005 Waterford Partners sold approximately 25 acres (Waterford on Lake Travis, Section 7) located within the District to Waterstone Development L.P. ("WD"), a Texas limited partnership whose general partner is Waterstone Development Management, LLC, a Texas limited liability company. WD has completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon and initially conveyed 7 of such condominiums to purchasers subsequent to the April, 2009, completion of the project (2 of which purchasers are principals of WD). WD offered 25 of the units for sale at auction on November 15, 2009. The auction resulted the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such condominium units not determinable. Therefore, the District cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units. The Waterstone Condominiums on Lake Travis range in size from approximately 1,470 to 1,915 square feet of living area and in sales price from approximately \$396,230 to \$635,000. Waterford Partners owns a total of approximately 70.1 acres of currently undeveloped land located within the District that it expects to develop as approximately 71 future single-family residential lots. Approximately 43.3 acres located within the District (future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA"). Neither Waterford Partners nor HA is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. See "DEVELOPER AND OTHER PRINCIPAL

LAND OWNERS," "FUTURE DEVELOPMENT," TAX DATA - Principal 2009 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

For information concerning the financial condition of Waterford Partners, see "APPENDIX B - UNAUDITED FINANCIAL INFORMATION CONCERNING WATERFORD LT PARTNERS, L.P." attached to this Official Statement which includes the unaudited financial statements of Waterford Partners as of October 31, 2009, and December 31, 2008. Inclusion of such financial information concerning Waterford Partners is relevant, among other reasons, to the ability of Waterford Partners to continue to develop land within the District and to pay taxes levied by the District and other taxing entities. None of Waterford Partners or any of its parents or affiliates has made any commitment to pay debt service on the Bonds, and the inclusion of the financial statements of Waterford Partners in this Official Statement should not be so construed.

#### **RISK FACTORS**

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

2009 Assessed Valuation .....	\$97,371,741(a)
(As of January 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at November 1, 2009 .....	\$105,289,898(b)
(As of November 1, 2009)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
The Outstanding Bonds .....	\$ 1,730,000
The Bonds .....	<u>3,570,000</u>
Total .....	\$ 5,300,000(c)
Estimated Overlapping Debt .....	\$ 1,668,960
Direct and Estimated Overlapping Debt .....	<u>\$ 6,968,960</u>
Direct Debt Ratios	
: as a percentage of 2009 Assessed Valuation .....	5.44%
: as a percentage of Estimated Valuation at November 1, 2009 .....	5.03%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2009 Assessed Valuation .....	7.16%
: as a percentage of Estimated Valuation at November 1, 2009 .....	6.62%
Debt Service Fund Balance (estimated upon delivery of the Bonds) .....	\$ 601,575(d)
General Fund Balance at November 3, 2009 .....	\$ 461,980
2009 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax .....	\$0.347
Maintenance Tax .....	<u>0.400</u>
Total .....	\$0.747(e)
Percentage of Tax Collections 1999 through 2008 Levies .....	99.98%
Tax Collections 2008 Tax Levy as of September 30, 2009 .....	99.88%
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2010-2036) .....	\$ 404,143
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2036) .....	\$ 420,675
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2010-2036) at 95% Tax Collections	
Based Upon 2009 Assessed Valuation .....	\$0.44(e)
Based Upon Estimated Valuation at November 1, 2009 .....	\$0.41(e)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement of the Bonds (2036) at 95% Tax Collections	
Based Upon 2009 Assessed Valuation .....	\$0.46(e)
Based Upon Estimated Valuation at November 1, 2009 .....	\$0.43(e)

Number of Single Family Residences (including 3 residences under construction) as of December 1, 2009 .....	57
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Number of Condominium Units as of December 1, 2009 .....	71
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- (a) As of January 1, 2009. All property located in the District is valued on the tax rolls by the Travis County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Travis County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District. The Appraisal District has proposed the valuation of such protested properties to be \$26,975,920. The Appraisal District does not provide an estimate of the total taxable value of such properties under protest which will be assigned to such properties if the owner's claims are upheld by the Appraisal Review Board. Therefore, for purposes of this Official Statement, an amount equal to 80% of such \$26,975,920 in value of such protested properties proposed by the Appraisal District (\$21,580,736) has been included in such total value of \$97,371,741. The District is unable to predict the amount of the District's final 2009 Assessed Valuation. Such 2009 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2009 See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of November 1, 2009, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2009, through October 31, 2009. The value of all taxable property is certified annually as of January 1 by the Appraisal Review Board. No taxes were levied for 2009 against any values added since January 1, 2009. The assessed valuation of additions to the District's tax base from January 1, 2009, through October 31, 2009, which will be reflected on the District's 2010 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2010 tax roll.
- (c) See "DISTRICT DEBT." In addition to the water supply and distribution, wastewater collection and treatment, storm drainage facilities that the District has financed with the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt" and "RISK FACTORS - Future Debt."
- (d) The District will capitalize an amount equal to the initial 24 months of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the timely payment by the District of the entirety of its debt service requirements that were due in 2009. The District's initial debt service requirements on the Bonds are due on September 1, 2010 (seven-month interest payment).
- (e) The District has levied a debt service tax for 2009 in the amount of \$0.347 per \$100 of Assessed Valuation. In addition, the District has levied a maintenance tax of \$0.40 per \$100 of Assessed Valuation for 2009. As is enumerated in this Official Statement under the caption "TAX DATA - Tax Rate Calculations" and "RISK FACTORS - Maximum Impact on District Tax Rates," however, the District currently intends to levy a debt service tax in 2010 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2010 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.5159.

Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Austin metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Austin metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."



**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10  
\$3,570,000 WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS  
SERIES 2010**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Travis County Municipal Utility District No. 10 (the "District") of its \$3,570,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

**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 resolution (the "Bond Resolution") of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., Four Houston Center, 1331 Lamar, Suite 1050, Houston, Texas 77010.

The \$3,570,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010, are dated February 1, 2010. Interest accrues from February 1, 2010, and is payable on September 1, 2010 (seven-month interest payment), and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered serial bonds maturing on September 1 of the years shown under "MATURITY SCHEDULE" on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or the "Paying Agent/Registrar").

The Bonds will be registered 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 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 as described herein. See "THE BONDS – Book-Entry-Only System."

**Book-Entry-Only System**

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency"

registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing companies, 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

Redemption notices shall be sent to DTC. If less than all 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.

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, 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, Paying Agent, or the

District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. 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 to DTC.

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Record Date**

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined in the Bond Resolution as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

#### **Assignments, Transfers and Exchanges**

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Redemption of the Bonds**

Bonds maturing on September 1, 2018, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2017, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such 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 bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### **Replacement of Registrar**

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

### **Authority for Issuance**

At an election held within the District on September 14, 2002, voters of the District authorized a total of \$20,300,000 in combination unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$13,200,000 for refunding purposes. The Bonds constitute the second issuance of bonds from such authorization. The District has previously issued \$1,920,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the "Outstanding Bonds") from such authorization. After sale of the Bonds, a total of \$14,810,000 in principal amount of unlimited tax and revenue bonds for facilities and \$13,200,000 for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ.

### **Source of Payment**

The Outstanding Bonds and 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 located within the District. The Outstanding Bonds and the Bonds are additionally payable from and secured by a pledge of and lien on the Net Revenues (as defined in the Bond Resolution), if any, derived by the District from the operation of the District's System to the extent and upon the conditions described more fully in the Bond Resolution. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "TAX DATA - Tax Rate Calculations," "RISK FACTORS - Maximum Impact on District Tax Rates" and - "Production of Net Revenues," and "APPENDIX B - UNAUDITED FINANCIAL INFORMATION CONCERNING WATERFORD LT PARTNERS, L.P."

In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds and on additional bonds payable from taxes which may hereafter be issued, and Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Travis County, the City of Austin, the City of Lago Vista, or any entity other than the District.

### **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$20,300,000 combination unlimited tax and revenue bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. Following the issuance of the Bonds, \$14,810,000 unlimited tax and revenue bonds will remain authorized but unissued. The District's voters also have authorized \$13,200,000 in unlimited tax and revenue bonds for refunding purposes, all of which remains authorized and unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

Based on present engineering cost estimates, in the opinion of the District's consulting engineer, Jones & Carter, Inc. (the "Engineer"), the \$14,810,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage facilities and services to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM."

In addition to the water supply and distribution, wastewater collection and treatment and storm drainage facilities that the District has financed with the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "- Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "RISK FACTORS - Future Debt."

Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. An election to authorize such bonds would be required. It is not anticipated at this time that the District will participate in park or road activities.

### **No Arbitrage**

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

### **Annexation**

A portion of the District currently lies within the extraterritorial jurisdiction ("ETJ") of the City of Austin, Texas ("Austin"). The remainder of the District lies within the ETJ of the City of Lago Vista, Texas ("Lago Vista"). Since the District was originally created within the ETJ of Austin, the District must conform to an Austin ordinance consenting to the creation of the District.

Under existing Texas Law, when a district lies within two ETJs, the district can be dissolved by agreement of the two cities without the District's consent, but only if both cities annex all of the portions of the district within their respective ETJs. The agreement between the cities must provide for the pro rata distribution between the cities of the property and other assets of the district and for the pro rata assumption by the cities of all debts, liabilities, and obligations (including the bond) of the district.

Austin and Lago Vista entered into an Interlocal Cooperation Agreement dated April 15, 2009 (the "Austin-Lago Vista Agreement"), which sets forth the framework for the eventual transference of the property currently within the ETJ of Austin to the ETJ of Lago Vista. The Austin-Lago Vista Agreement contemplates that such transference of ETJ would take place in phases over a period of years. The portion of the District that lies within the ETJ of Lago Vista was transferred to the Austin-Lago Vista Agreement. The further transference of ETJ from Austin to Lago Vista is a policy-making matter within the discretion of the Mayor and the City Council of Austin and the Mayor and City Council of Lago Vista. Additionally, certain detailed procedures, as set forth in the Austin-Lago Vista Agreement, must be followed to accomplish such transference of ETJ. Therefore, the District makes no representation that all of the ETJ of the District will ever be transferred from Austin to Lago Vista.

If the ETJ of the District is entirely transferred to Lago Vista, the District may be annexed by Lago Vista without the District's consent. If the District is annexed under such circumstances, Lago Vista would assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days, except as provided below under "Strategic Partnership."

Annexation of territory by Austin or Lago Vista is a policy-making matter within the discretion of the Mayor and City Council of Austin and the Mayor and City Council of Lago Vista, and therefore, the District makes no representation that Austin or Lago Vista will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of Austin or Lago Vista to pay debt service on the District's bonds if annexation were to occur.

#### **Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with a city to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by that city. The terms of any such agreement would be determined by a city and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. No strategic partnership agreement is currently contemplated between the District and either Austin or Lago Vista, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

#### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

#### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides 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 Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

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

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed in bankruptcy involuntarily.

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

The following is quoted from 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) also provides that bonds of the District (including the Bonds) are 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 or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which 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.

### **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a trust company or commercial bank designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.



## Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance (a) offsite water and wastewater facilities for Waterford on Lake Travis, Section 5; (b) land costs for water plant, wastewater treatment plant Phase 1, Lift Stations 1 and 2, and Waterford on Lake Travis, Section 7 water quality ponds; (c) clearing for water plant Phase 3, and Waterford on Lake Travis, Sections 2A, 3, 5 and 6; and (d) water, wastewater and drainage facilities to serve Waterford on Lake Travis, Sections 2, 3, and 6; (ii) pay engineering fees associated with such construction projects; (iii) pay interest on advances that have been made on the District's behalf; (iv) capitalize a sum equal to the initial twenty-four months of interest payments on the Bonds which the District will deposit in the District's Debt Service Fund; and (v) pay for administrative costs, legal fees, fiscal agent's fees, a fee to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

### District's Share

#### Construction Costs (a)

##### A. Developer Contribution Items

1. Waterford on Lake Travis, Section 2 Water, Wastewater and Drainage	\$ 224,193
2. Waterford on Lake Travis, Section 3 Water, Wastewater and Drainage	767,607
3. Waterford on Lake Travis, Section 3 Force Main	101,249
4. Waterford on Lake Travis, Section 5 Offsite Utilities	358,681
5. Waterford on Lake Travis, Section 6 Water and Wastewater	256,832
6. Waterford, Sections 2A, 3, 5 and 6 Clearing	14,000
7. Engineering	<u>323,842</u>
Total Developer Contribution Items	\$2,046,404

#### District Items

1. Water Plant, Phase 3 Clearing	\$ 11,160
2. Engineering	4,356
3. Land Acquisition	192,937
4. Land Interest	27,011

5. Land Taxes	<u>45,324</u>
Total District Items	\$ 280,788
TOTAL CONSTRUCTION COSTS	\$2,327,192

Non-construction Costs

1. Legal Fees	\$ 104,250
2. Fiscal Agent Fees	71,400
3. Interest	
a. Capitalized Interest (24 months)	499,800
b. Developer Interest (b)	357,314
4. Bond Discount	107,100
5. Bond Issuance Expenses	35,449
6. Bond Application Report	55,000
7. Attorney General Fee	3,570
8. TCEQ Bond Issuance Fee	8,925
8. Contingency (c)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,242,808</u>

**TOTAL BOND ISSUE REQUIREMENT** **\$3,570,000**

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developer on advances made on the District's behalf by the Developer. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to cover the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality, the "TCEQ"), dated May 17, 1989, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which currently lies partially within the ETJ of Austin, and partially within the ETJ of Lago Vista, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

For as long as the District lies within the ETJ of Austin, the District is required to observe certain requirements of Austin which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require municipal approval of District construction plans; and permit connections only to lots and reserves described in a plat that has been given municipal approval and filed in the real property records of Travis County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Austin and Lago Vista entered into the Austin - Lago Vista Agreement pursuant to which Austin delegated certain urban planning and subdivision development regulation to Lago Vista. Consequently, subdivision plats and the plans and specifications for roads and District utilities are to be reviewed and approved by Lago Vista, not Austin. The Lago Vista Agreement also sets forth the framework for the eventual transference of the property currently within the ETJ of Austin to the ETJ of Lago Vista. See "THE BONDS - Annexation."

### **Description**

The District contains approximately 589.771 acres of land. The District is located entirely within Travis County, Texas, and within the ETJs of Austin and Lago Vista. See "THE BONDS - Annexation" and "THE DISTRICT - General"). The District is located on Lake Travis, approximately 26 miles northwest of the central business district of Austin, and approximately 5 miles south of the intersection of Lohmans Ford Road and FM 1431. The entrance to the District is located on Lohmans Ford Road, approximately 5 miles south of the City of Lago Vista. The District lies wholly within the Lago Vista Independent School District. See "APPENDIX A - LOCATION MAP."

## Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Harvey Reiter	President	2010
Jerry McAhren	Vice President	2010
Robert Ernst	Assistant Vice President	2012
Jack McMahon	Secretary	2012
Vance Taylor	Assistant Secretary	2012

The District does not have a general manager or any other employee, but has contracted for services, as follows.

**Tax Assessor/Collector** - The District has engaged Thomas W. Lee of Assessments of the Southwest, Inc., as the District's Tax Assessor/Collector. According to Mr. Lee, he presently serves approximately 138 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Travis Central Appraisal District and bills and collects such levy.

**Consulting Engineers** - The District has employed the firm of Jones & Carter, Inc., Austin and Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

**Bookkeeper** - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 300 districts as bookkeeper.

**Auditor** - The District's auditor for the fiscal year ended September 30, 2009, is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's Financial Report for the fiscal year ended September 30, 2008 prepared by McCall, Gibson & Company, PLLC is reproduced as "APPENDIX C" to this Official Statement.

**Operator** - AWR Services, Inc. is the general operator of the District's System. According to AWR Services, Inc., it is currently employed as operator for 15 utility districts:

**Bond Counsel and General Counsel** - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

**Disclosure Counsel** - McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

**Financial Advisor** - The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fee to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fee is contingent upon the sale and delivery of the Bonds.

## DEVELOPMENT AND HOME CONSTRUCTION

As of December 1, 2009, the District contained a total of 57 single-family homes (including 3 homes under construction), an 80-slip marina and parking lot plus the completed 71-unit Waterstone Condominiums on Lake Travis. Single-family homes that have been constructed in the District range from approximately 2,500 to 12,000 square feet of living area and in valuation from approximately \$600,000 to \$5,000,000. The Waterstone Condominiums on Lake Travis range in size from approximately 1,470 to 1,915 square feet of living area and in sales price from approximately \$396,230 to \$635,000.

According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities (the "System") and street paving have been completed to serve 212 single-family residential lots and the 71-unit Waterstone Condominiums on Lake Travis as follows: (i) approximately 49.3 acres have been developed as Waterford on Lake Travis, Section 1, consisting of 54 single-family residential lots, (ii) approximately 20.1 acres have been developed as Waterford on Lake Travis, Section 2, consisting of 28 single-family residential lots, (iii) approximately 26.3 acres have been developed as Waterford on Lake Travis, Section 3, consisting of 30 single-family residential lots; (iv) approximately 11.7 acres have been developed as Waterford on Lake Travis, Section 3D, consisting of 10 single-family residential lots, (v) approximately 44.6 acres have been developed as Waterford on Lake Travis, Section 4A, consisting of 62 single-family residential lots plus an 80-slip marina and parking lot; (vi) approximately 28.9 acres have been developed as Waterford on Lake Travis, Section 6, consisting of 25 single-family residential lots, (vii) approximately 25.0 acres have been developed as Waterford on Lake Travis, Section 7, consisting of the 71-unit Waterstone Condominiums on Lake Travis, and (viii) approximately 1.0 acre has been developed as 3 single-family residential lots. The balance of the land located in the District consists of approximately 113.4 currently undeveloped acres which are available for future development, and approximately 288.9 acres which are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 288.9 acres lies within the platted area of certain of the aforementioned subdivisions).

Waterstone Development, L.P. ("WD") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"), the developer of the Waterstone Condominiums on Lake Travis, initially conveyed 7 of such condominiums to purchasers subsequent to the April, 2009, completion of the project (2 of which purchasers are principals of WD). WD offered 25 of the units for sale at auction on November 15, 2009. The auction resulted the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such condominium units not determinable. Therefore, the District cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units.

In September, 2004, Waterford LT Partners, L.P. ("Waterford Partners") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS") acquired a total of approximately 474.2 acres of land, approximately 324.6 acres of which are located within the District, from the original developer of the District through foreclosure. The original developer had developed Waterford on Lake Travis, Sections 1 and 2, consisting of approximately 69.4 acres, 82 single-family residential lots, and conveyed all 82 lots located in Waterford on Lake Travis, Sections 1 and 2 to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Approximately 239.0 of such total of approximately 324.6 acres located within the District are developable, and the balance thereof is not developable as is described above. Waterford Partners completed the development of Waterford on Lake Travis, Section 3 (approximately 26.3 acres, 30 single-family residential lots) in May, 2007, and has sold 25 of such 30 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Waterford Partners substantially completed the development of Waterford on Lake Travis, Section 4A (approximately 44.6 acres, 62 single-family residential lots plus an 80-slip marina and parking lot) in October, 2008, and has sold 11 of such 62 lots to custom home builders, or to individual lot purchasers. Waterford Partners completed the development of Waterford on Lake Travis, Section 6 (approximately 28.9 acres, 25 single-family residential lots) in April, 2008, and has sold 19 of such 25 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. In 2005

Waterford Partners sold approximately 25 acres (Waterford on Lake Travis, Section 7) located within the District to Waterstone Development, L.P. ("WD") which has completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon. Waterford Partners owns a total of approximately 70.1 acres of currently undeveloped land located within the District that it expects to develop as approximately 71 future single-family residential lots. Approximately 43.3 acres located within the District (future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA"). Neither Waterford Partners nor HA is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT," TAX DATA - Principal 2009 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

The District financed the cost of construction of Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I, and Lift Station No. 1, with portions of the proceeds of the sale of the Series 2004 Bonds. The District will finance the cost of acquisition or construction of the aforementioned components of the System that serve Waterford on Lake Travis, Sections 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, and other facilities with portions of the proceeds of the sale of the Bonds, as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District anticipates financing the cost of acquisition of the aforementioned components of the System that serve Waterford on Lake Travis, Sections 1, 4A and 7, the Water Treatment Plant, Transmission Main and Intake Barge, the cluster septic system, the Wastewater Treatment Plant, Phase 2, and other facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE SYSTEM."

As of November 1, 2009, the status of development and home construction within the District was as follows:

Subdivision	Lots				Homes				Totals
	Fully Developed	Acres	Under Development	Acres	Under Construction Sold (i)	Under Construction Unsold	Completed Sold(i)	Completed Unsold	
Waterford on Lake Travis									
Section 1	54(ii)	49.3			0	0	27	0	27
Section 2	28(iii)	20.1			0	0	17	0	17
Section 3	30	26.3			1	0	7	0	8
Section 3D	10	11.7			1	0	0	0	1
Section 4A	62	44.6			0	0	0	0	0
Section 6	25	28.9			1	0	0	0	1
Additional Lots	<u>3</u>	<u>1.0</u>	<u>—</u>	<u>—</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>
	212	181.9	0	0	3	0	54	0	57
Waterstone Condo-miniums on Lake Travis									
Section 7	71	25.0	0	0	0	0	17	54	71

- (i) Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchaser not determinable. Therefore, the District cannot predict whether any of such homes contracted for sale will be conveyed to prospective purchasers. As is stated above and under the caption "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," WD, the developer of the Waterstone on Lake Travis Condominiums, offered 25 of the units for sale at auction on November 15, 2009. The auction resulted in the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval,

inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such units not determinable. Therefore, the District cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units.

- (ii) Six Section 1 lots are not currently expected to require connection to the District's System since the owners of such lots have purchased two or more adjacent lots and constructed homes on multiple lots.
- (iii) One Section 2 lot is not expected to require connection to the District's System since the owner of such lot has purchased two adjacent lots and constructed a home on the two lots.

#### **DEVELOPER AND OTHER PRINCIPAL LAND OWNERS**

In September, 2004, Waterford LT Partners, L.P. ("Waterford Partners"), a Texas limited partnership whose general partner is Waterford Investments, Inc., a Texas corporation, acquired a total of approximately 474.2 acres of land, approximately 324.6 acres of which are located within the District, from the original developer of the District through foreclosure. The limited partners of Waterford Partners are Joe Longbotham, Ranier WT Investors, Waterford Equity Partners and Waterford New Equity Partners. The original developer had developed Waterford on Lake Travis, Sections 1 and 2, consisting of approximately 69.4 acres, 82 single-family residential lots, and conveyed all 82 lots located in Waterford on Lake Travis, Sections 1 and 2 to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Approximately 239.0 of such total of approximately 324.6 acres located within the District are developable, and the balance is not developable as is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION." Waterford Partners completed the development of Waterford on Lake Travis, Section 3 (approximately 26.3 acres, 30 single-family residential lots) in May, 2007, and has sold 25 of such 30 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. Waterford Partners substantially completed the development of Waterford on Lake Travis, Section 4A (approximately 44.6 acres, 62 single-family residential lots plus an 80-slip marina and parking lot) in October, 2008, and has sold 11 of such 62 lots to custom home builders, or to individual lot purchasers. Waterford Partners completed the development of Waterford on Lake Travis, Section 6 (approximately 28.9 acres, 25 single-family residential lots) in April, 2008, and has sold 19 of such 25 lots to custom home builders that have constructed homes for sale to purchasers, or to individual lot purchasers some of whom have retained third party builders to construct homes for them. See "DEVELOPMENT AND HOME CONSTRUCTION" above for a delineation of the status of home construction in the District and for a description (expressed as a range of valuation and square footage of living area) of such homes. In 2005 Waterford Partners sold approximately 25 acres (Waterford on Lake Travis, Section 7) located within the District to Waterstone Development L.P. ("WD"), a Texas limited partnership whose general partner is Waterstone Development Management, LLC, a Texas limited liability company. WD has completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon and initially conveyed 7 of such condominiums to purchasers subsequent to the April, 2009, completion of the project (2 of which purchasers are principals of WD). WD offered 25 of the units for sale at auction on November 15, 2009. The auction resulted the sale of 10 units, which sales are subject to conditions of appraisal, loan application, approval, inspection and other conditions that make the likelihood of closing and conveyance to the prospective purchasers of such condominium units not determinable. Therefore, the District cannot predict whether any of such condominium units that have been contracted for sale will be conveyed to the prospective purchasers of such condominium units. The Waterstone Condominiums on Lake Travis range in size from approximately 1,470 to 1,915 square feet of living area and in sales price from approximately \$396,230 to \$635,000. Waterford Partners owns a total of approximately 70.1 acres of currently undeveloped land located within the District that it expects to develop as approximately 71 future single-family residential lots. Approximately 43.3 acres located within the District (future Waterford on Lake Travis, Section 5 - 31 future single-family residential lots) are owned by HA Waterford Investors, LP ("HA"). Neither Waterford Partners nor HA is under any obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres might occur. See "FUTURE DEVELOPMENT," TAX DATA - Principal 2009 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

For information concerning the financial condition of Waterford Partners, see "APPENDIX B - UNAUDITED FINANCIAL INFORMATION CONCERNING WATERFORD LT PARTNERS, L.P." attached to this Official Statement which includes the unaudited financial statements of Waterford Partners as of October 31, 2009, and December 31, 2008. Inclusion of such financial information concerning Waterford Partners is relevant, among other reasons, to the ability of Waterford Partners to continue to develop land within the District and to pay taxes levied by the District and other taxing entities. None of Waterford Partners or any of its parents or affiliates has made any commitment to pay debt service on the Bonds, and the inclusion of the financial statements of Waterford Partners in this Official Statement should not be so construed.

## **FUTURE DEVELOPMENT**

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the development of approximately 181.9 acres of the total of approximately 589.7 acres of land located within the District into 212 single-family residential lots plus 71 condominium units on approximately 25.0 acres located within the District is complete. The balance of the land located in the District consists of approximately 113.4 currently undeveloped acres which are available for future development, and approximately 288.9 acres that are not available for future development, including District water plant and wastewater treatment plant sites, street rights-of-way, parks, recreational and open spaces, and permanent flood plain acreage (some of which approximately 288.9 acres lies within the platted area of certain of the aforementioned subdivisions). Although Waterford Partners (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"), the owner of approximately 70.1 of such currently undeveloped acres, has reported to the District that it purchased such acreage with the intent to undertake the development thereof into approximately 71 single-family residential lots in the future, Waterford Partners is not under any legal obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and may sell or otherwise dispose of its property within the District or any other assets, at any time, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres owned by Waterford Partners might occur. Moreover as is described above under the caption "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS", approximately 43.3 of such currently undeveloped acres located within the District are owned by HA (future Waterford at Lake Travis, Section 5 - 31 future single-family residential lots). HA is not under any legal obligation to the District to undertake the development of any currently undeveloped portion of the District according to any particular timetable or at all, and may sell or otherwise dispose of its property within the District or any other assets, at any time, and thus the District cannot represent whether, or when, the development of any of such currently undeveloped acres owned by HA might occur. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE SYSTEM." See "RISK FACTORS - Future Debt."



**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken December, 2009)**

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken December, 2009)**