

## **RESOLUTION NO. 20110609-016**

**WHEREAS**, Travis County Municipal Utility District No. 10 (the "District") is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created as Point Venture II Municipal Utility District on or about May 17, 1989, by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality ("the Commission"), and whose name was changed to Travis County Municipal Utility District No. 10 on November 10, 1998, and operates under Chapters 49 and 54, Texas Water Code (the "Act"); and

**WHEREAS**, by Ordinance No. 880324-G, the City of Austin (the "City") granted its consent to the creation of the District. The City, the District and Mitchell Development Corporation of the Southwest, the original developer of the lands comprising the District, entered into a certain "Agreement Concerning Creation and Operation of Travis County Municipal Utility District No. 10" (the "Consent Agreement"), which sets forth the terms and conditions for creation and operation of the District; and

**WHEREAS**, the creation of the District was confirmed by an election held within the District on August 12, 1989; and

**WHEREAS**, at an election held within the District on September 14, 2002, voters of the District authorized a total of \$20,300,000 in Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds (the "Authorized Bonds"); and

**WHEREAS**, the Consent Agreement sets forth terms relating to the issuance of the Authorized Bonds by the District; and

**WHEREAS**, subject to the terms of the Consent Agreement, the District is authorized by the Act to purchase, construct, acquire, own, operate,

maintain, repair, improve, or extend, inside or outside its boundaries, any and all works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes of its creation; and


**WHEREAS**, under the Consent Agreement and that certain Commission Order Authorizing the Issuance of \$1,150,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bond Order"), the District proposes to issue bonds designated as its \$1,150,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer Combination Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds") for water, wastewater, drainage and lift station to serve Waterford on Lake Travis, Section 4A, land acquisition costs for the lift station and water quality ponds, engineering, financial advisor and legal fees; and related bond issuance expenses; **NOW THEREFORE**,

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

The City Council approves the issuance by the District of the Series 2011 Bonds and approves the District's Series 2011 Bond Resolution and the substantially complete draft of the Preliminary Official Statement for the Series 2011 Bonds, attached hereto as Exhibit 1 and Exhibit 2, respectively, subject to final review and approval of the final offering documents by the Director of the City's Department of Financial and Administrative Services.

**ADOPTED:** June 9, 2011

**ATTEST:**

  
Shirley A. Gentry  
City Clerk

## Exhibit 1

### RESOLUTION AUTHORIZING THE ISSUANCE OF \$1,150,000 TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2011

THE STATE OF TEXAS     §  
                                      §  
COUNTY OF TRAVIS     §

WHEREAS, the bonds hereinafter authorized were duly and favorably voted at an election held in the District on September 14, 2002; and

WHEREAS, the Board of Directors of the District does hereby determine that bonds in the amount of \$1,150,000 should be issued, as a portion and the third installment of the \$20,300,000 bonds voted at such election, leaving the remaining \$13,660,000 of such bonds, and any other bonds as may hereinafter be authorized by the District voters, to be issued at a later date; Now, Therefore

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10 THAT:

1. Definitions. Throughout this resolution the following terms and expressions as used herein shall have the meanings set forth below:

"Accounting Principles" means the accounting principles described in the notes to the Audit.

"Act" means Chapters 49 and 54, Texas Water Code, as amended.

"Audit" means the audited financial statements of the District prepared by an independent auditor in accordance with the rules of the Texas Commission on Environmental Quality in effect at such time.

"Blanket Issuer Letter of Representations" means the Blanket Issuer Letter of Representations between the District, the Registrar and DTC.

"Board" means the Board of Directors of the District.

"Bond" or "Bonds" means one or more bonds of the issue of \$1,150,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, authorized in this Resolution, unless the context clearly indicates otherwise.

"Business Day" means any day which is not a Saturday, Sunday, or a day on which the Registrar is authorized by law or executive order to remain closed.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt Service Fund" means the interest and sinking fund confirmed in this Resolution.

"District" means Travis County Municipal Utility District No. 10.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the MSRB via the Electronic Municipal Market Access System established by the MSRB.

"Initial Bond" means the Initial Bond authorized by Section 4.

"Interest Payment Date," when used in connection with any Bond, means March 1, 2012, and each September 1 and March 1 thereafter until maturity or prior redemption of such Bond.

"Material" shall have the meaning of such word as used under federal securities laws.

"MSRB" means the Municipal Securities Rulemaking Board.

"Paying Agent" means the Registrar.

"Person" or "Persons" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

"Record Date" means, for any Interest Payment Date, the fifteenth calendar day of the month next preceding each Interest Payment Date.

"Register" means the books of registration kept by the Registrar, in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Registered Owner.

"Registered Owner" means any person who shall be the registered owner of any outstanding Bond.

"Registrar" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, and its successors in that capacity.

"Resolution" as used herein and in the Bonds means this Resolution authorizing the Bonds.

"Rule" means SEC Rule 10c2-12, as amended from time to time.

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

2. Authorization. The Bonds shall be issued in fully registered form, without coupons, in the total aggregate amount of ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS (\$1,150,000) for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, extending, or paying for inside and outside the District's boundaries, any District works, improvements, facilities, plants, equipment, appliances and all costs associated with flood plain and wetlands regulation and endangered species and stormwater permits, including mitigation, needed to accomplish the purposes of the District authorized by the Texas Constitution, the Texas Water Code, to wit: the works, improvements, facilities, plants, equipment and appliances to provide a waterworks system, sanitary sewer system, drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefore and administrative facilities needed in connection therewith, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI, Constitution of Texas, and the Act.

3. Designation, Date, and Interest Payment Dates. The Bonds shall be designated as the "TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2011," and shall be dated July 1, 2011. The Bonds shall bear interest at the rates set forth below from the later July 1, 2011, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, interest payable on March 1, 2012, and semiannually thereafter on each September 1 and March 1 until maturity or prior redemption.

4. Initial Bonds; Interest Rates; Maturities; Principal Amounts and Denominations. The Bonds shall be issued bearing the numbers, in the principal amounts, and bearing interest at the rates set forth in the following schedule, and may be transferred and exchanged as set out in this Resolution. The Bonds shall mature on September 1 in each of the years and in the amounts set out in such schedule. The Initial Bond shall be numbered IB-1 and all other Bonds shall be numbered in sequence beginning with R-1. Bonds delivered in transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

<u>Principal Amount</u>	<u>Year</u>	<u>Interest Rate</u>
\$ 25,000	2013	%
25,000	2014	
25,000	2015	
25,000	2016	
25,000	2017	
25,000	2018	
25,000	2019	
25,000	2020	
25,000	2021	
25,000	2022	
25,000	2023	
25,000	2022	
25,000	2023	
25,000	2024	
25,000	2025	
25,000	2026	
25,000	2027	
25,000	2028	
25,000	2029	
25,000	2030	
25,000	2031	
25,000	2032	
25,000	2033	
25,000	2034	
25,000	2035	
25,000	2036	
265,000	2037	
285,000	2038	

5. Optional and Mandatory Redemption. The District reserves the right, at its option, to redeem the Bonds prior to maturity on the dates and at the redemption prices set forth in the form of the Bonds in this Resolution. In addition, portions of the Bonds are subject to mandatory sinking fund redemption on the dates and at the redemption prices set forth in the form of the Bonds in this Resolution.

Principal amounts may be redeemed only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. The Registrar shall select the particular Bonds to be redeemed within any given maturity by lot or other random selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with this Resolution, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Registrar at least 30 days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or portions thereof to be redeemed. Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

6. Execution of Bonds; Seal. The Bonds shall be signed by the President of the Board and countersigned by the Secretary of the Board, by their manual, litho-graphed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if

the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

On the date of delivery of the Bonds, the Initial Bond, being a single bond representing the entire principal amount of the Bonds, payable in stated installments to the Initial Purchaser or its designee, executed by manual or facsimile signature of the President and Secretary of the Board, or other designated District official, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, shall be delivered to the Initial Purchaser or its designee. Upon payment for the Initial Bond, the Registrar shall cancel the Initial Bond and deliver Bonds to DTC in accordance with Section 13.

7. Approval by Attorney General; Registration by Comptroller. The Bonds to be initially issued shall be delivered to the Attorney General of Texas for approval and shall be registered by the Comptroller of Public Accounts of the State of Texas. The manually executed registration certificate of the Comptroller of Public Accounts substantially in the form provided in this Resolution shall be attached or affixed to the Bonds to be initially issued.

8. Authentication. Except for the Initial Bond, which need not be authenticated by the Registrar, in the event the Book-Entry-Only System is discontinued, only such Bonds which bear thereon a certificate of authentication, substantially in the form provided in this Resolution, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Resolution or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bonds so authenticated were delivered by the Registrar hereunder.

9. Payment of Principal and Interest. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of and interest on the Bonds are payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. Principal is payable upon presentation and surrender of the Bonds as they respectively become due and payable, whether at maturity or by prior redemption, at the principal payment office of the Registrar in Dallas, Texas. Interest is payable by check or draft dated as of the Interest Payment Date, mailed by the Registrar on each Interest Payment Date to the Registered Owner of record as of the Record Date, first class, postage prepaid, to the address of such Registered Owner as shown in the Register, or by such other customary banking arrangements as may be agreed upon by the Registrar and the Registered Owner, at the risk and expense of the Registered



Owner. Any accrued interest payable at maturity on a Bond shall be paid upon presentation and surrender of such Bond at the principal payment office of the Registrar.

If the date for payment of the principal of or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day with the same force and effect as if made on the date such payment was originally due.

10. Successor Registrars. The District covenants that at all times while any Bonds are outstanding it will provide a national or state banking institution, which shall be 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 which shall be subject to supervision or examination by federal or state authority, to act as Registrar for the Bonds. The District reserves the right to change the Registrar for the Bonds on not less than 30 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or Interest Payment Date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar here-under, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

11. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 10 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

12. Ownership; Unclaimed Principal and Interest. The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making and receiving payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Registered Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

13. Book-Entry Only System.

(a) The Initial Bond shall be registered in the name of Cede & Co. Except as provided in Section 14 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Registered Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the resolution of the respective Registered Owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest checks being mailed to the

Registered Owner of record as of the Record Date, the phrase "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(c) The execution and delivery of the Blanket Issuer Letter of Representations is hereby approved with such changes as may be approved by the President of the Board, and the President of the Board is hereby authorized and directed to execute such Blanket Issuer Letter of Representations.

14. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the District in its sole discretion, determines that the beneficial owners of the Bonds be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall not longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

15. Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations.

16. Registration, Transfer, and Exchange. So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Resolution.

Subject to the provisions of Section 13, entitled "Book-Entry-Only System," each Bond shall be transferable only upon the presentation and surrender thereof at the principal payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar shall authenticate and deliver in exchange therefor,

within three Business Days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized de-nominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Registrar for a Bond or Bonds of like maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Registrar shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30 day period prior to the date fixed for redemption of such Bond.

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

17. Mutilated, Lost, or Stolen Bonds. Subject to the provisions of Section 13, entitled "Book-Entry-Only System," upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar. The District or the Registrar may require the Registered Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

(1) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;

(2) furnish such security or indemnity as may be required by the Registrar and the District to hold them harmless;

(3) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and

(4) meet any other reasonable requirements of the District and the Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and the Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

18. Cancellation of Bonds. Subject to the provisions of Section 13, entitled "Book-Entry-Only System", all Bonds paid in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment. Upon request, the Registrar shall furnish the District with appropriate certificates of destruction of such Bonds.

19. Forms. The form of the Bonds, including the form of the Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, which shall be attached or affixed to the Bonds initially issued, shall be, respectively, substantially as follows, with such additions, deletions and variations as may be necessary or desirable



fifteenth day of the month next preceding each interest payment date, or (ii) by such other customary banking arrangements as may be agreed upon by the Registrar and the Registered Owner (at the risk and expense of such Registered Owner), on each September 1 and March 1 until maturity, beginning March 1, 2012.

THIS BOND is one of a duly authorized issue of Bonds, aggregating \$1,150,000 (the "Bonds"), issued for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, extending, or paying for inside and outside the District's boundaries, any District works, improvements, facilities, plants, equipment, appliances and all costs associated with flood plain and wetlands regulation and endangered species and stormwater permits, including mitigation, needed to accomplish the purposes of the District authorized by the Texas Constitution, the Texas Water Code, to wit: the works, improvements, facilities, plants, equipment and appliances to provide a waterworks system, sanitary sewer system, drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefore and administrative facilities needed in connection therewith, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, by authority of an election held for and within the District on September 14, 2002, and pursuant to a resolution adopted by the Board of Directors on June 7, 2011 (the "Resolution").

THIS BOND, and the other Bonds of the series of which it is a part, are payable from the proceeds of an annual ad valorem tax levied without legal limitation as to rate or amount upon all taxable property within the District, and are further payable from and secured by a lien on and pledge of certain net revenues, if any, of the District's waterworks, sanitary sewer and drainage system (the "System"). Reference is hereby made to the Resolution for a complete description of the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the Registered Owners of the Bonds, the District and the Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered.

THE DISTRICT RESERVES THE RIGHT, at its option, to redeem the Bonds maturing on or after September 1, 2019, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on September 1, 2018, or any date thereafter at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. The Registrar shall select the particular Bonds to be redeemed within any given maturity by lot or other random

selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions of the Resolution, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered. Reference is made to the Resolution for complete details concerning the manner of redeeming the Bonds.

IN ADDITION TO BEING SUBJECT TO OPTIONAL REDEMPTION, THE BONDS ISSUED AS TERM BONDS maturing on September 1, in each of the years \_\_\_\_\_ (collectively, the "Term Bonds") are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates ("Mandatory Redemption Dates"), at a price equal to the principal amount redeemed plus accrued interest to each Mandatory Redemption Date, subject to the conditions set forth below:

TERM BOND

Mandatory Redemption

Principal Amount

ON OR BEFORE 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence

NOTICE OF ANY REDEMPTION shall be given at least 30 days prior to the date fixed for redemption by first class mail, addressed to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal



amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal payment office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Resolution.

THIS BOND IS EXCHANGEABLE at the principal payment office of the Registrar for bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution.

NEITHER THE DISTRICT nor the Registrar shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending on the next succeeding interest payment date or to transfer or exchange any Bond called for redemption during the 30 day period prior to the date fixed for redemption of such Bond.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution unless this Bond is either (i) registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) authenticated by the Registrar by due execution of the authentication certificate endorsed hereon.

THE REGISTERED OWNER of this Bond, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Resolution.

THE DISTRICT has covenanted in the Resolution that it will at all times provide a legally qualified registrar for the Bonds and will cause notice of any change of registrar to be mailed first class, postage prepaid, to each Registered Owner.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, to exist and to be done precedent to or in the issuance and delivery of this Bond have been performed, exist and have been done in accordance with law; and that annual ad valorem taxes, without legal limit as to rate or amount, sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in the District and have been pledged irrevocably for such payment, and in addition, certain net revenues of the System have been pledged irrevocably for the payment of the Bonds.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the President of the Board of Directors and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors, and the official seal of the District has been duly impressed, or placed in facsimile, on this Bond.

TRAVIS COUNTY MUNICIPAL UTILITY  
DISTRICT NO. 10

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

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

(SEAL)

b. Form of Registration Certificate of Comptroller of Public Accounts

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

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

WITNESS MY SIGNATURE AND SEAL this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

c. Form of Registrar's Authentication Certificate

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Resolution described in the text of this Bond, in exchange for or in replacement of a bond, bonds or a portion of a bond or bonds of a series which was originally approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

The Bank of New York Mellon Trust  
Company, N.A.

By: \_\_\_\_\_  
Authorized Signature

Date of Authentication: \_\_\_\_\_

d. Form of Assignment

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (Please print or type name, address, and zip code of Transferee) (Please insert Social Security or Taxpayer Identification Number of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

Signature Guaranteed:

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

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.

Registered Owner

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.

e. The Initial Bond shall be in the form set forth in paragraphs (a), (b), and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP No." deleted;

(ii) in the first paragraph of the Bond, the words "on the maturity date specified above," "the principal amount identified above," and "at the rate shown above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on September 1 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

[Information to be inserted from schedule in Section 4]

(iii) the Initial Bond shall be numbered IB-1.

20. Legal Opinion; CUSIP; Bond Insurance. The approving opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, and CUSIP numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds. If bond insurance is obtained by the purchaser, the Bonds may bear an appropriate legend as provided by the insurer.

21. Debt Service Fund; Tax Levy. The Debt Service Fund is hereby confirmed and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by this Resolution shall be deposited, as collected, in such Fund. While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning in 2011, a continuing direct annual ad valorem tax, without legal limit as to rate, upon all taxable property in the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

22. Net Revenue Pledge As Additional Security. For purposes of this Section the following terms shall have the following definitions:

The term "Maintenance and Operation Expenses" shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the System together with such other costs and expenses as may now or

hereafter be defined by law as proper Maintenance and Operation Expenses of the System; and,

The term "Net Revenues" shall mean all income derived from the ownership and operation of the System after deducting the Maintenance and Operation Expenses and providing for the funding of any operating reserve from time to time established by the Board.

In order to further secure the Bonds, the District hereby grants a lien on and pledge of the Net Revenues. The Net Revenues are hereby pledged to the payment of the principal, interest, redemption price and paying agent expenses of the Bonds. If at any time ad valorem taxes levied and collected for the payment of the Bonds, together with any other amounts in the Debt Service Fund, are insufficient for such purpose, the District shall transfer to the Debt Service Fund such available Net Revenues as shall be necessary to provide (together with other amounts on deposit in the Debt Service Fund) for the payment of principal, interest, redemption price and paying agent expenses of the Bonds; provided, however, that no transfers of revenues shall be made to the Debt Service Fund by the District until all Maintenance and Operation Expenses shall have been paid by the District. The District reserves the right to apply Net Revenues not required for current payments of principal, interest, redemption price and bank charges of the Bonds for any lawful purpose of the District. The District further reserves the right to issue additional bonds secured in whole or in part by a lien on and pledge of Net Revenues on a parity with or subordinate to the lien on and pledge of Net Revenues securing the Bonds, and to apply such Net Revenues to the payment of such additional bonds and obligations on a parity with or subordinate to the Bonds.

23. Further Proceedings. After the Bonds to be initially issued have been executed, it shall be the duty of the President and Secretary of the Board and other appropriate officials and agents of the District to deliver the Bonds to be initially issued and all pertinent records and proceedings to the Attorney General of Texas, for examination and approval. After the Bonds to be initially issued have been approved by the Attorney General, they shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Bonds to be initially issued, the Comptroller of Public Accounts (or the Comptroller's bond clerk or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

24. Sale; Proceeds. The sale and delivery of the Bonds to \_\_\_\_\_ (herein referred to as the "Initial Purchaser") at a price of \$\_\_\_\_\_, plus accrued interest thereon to date of delivery, is hereby authorized, approved, ratified and confirmed, subject to the approving opinion as to the legality of the Bonds of the Attorney General of Texas, and of Allen Boone Humphries

Robinson LLP, Houston, Texas, bond counsel. It is hereby found and declared that the Initial Purchaser's bid produced the lowest net effective interest rate for the Bonds after advertisement and public sale, and that the net effective interest rate resulting from such bid is \_\_\_\_\_% which rate is less than the maximum rate permitted by law.

Accrued interest on the Bonds and any amount appropriated by the District for capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of the Bonds shall be deposited into the Capital Projects Fund and used for the purposes described in Section 2 above and to pay costs of issuance, all in accordance with the order of the Texas Commission on Environmental Quality (the "Commission") approving the Bonds. Any proceeds remaining after completion of the projects and expenditures approved by the Commission, including earnings from the investment of bond proceeds, shall be used in accordance with the rules of the Commission for use of surplus bond proceeds. After the entire system described in this Resolution is constructed, any remainder shall be transferred to the Debt Service Fund, in accordance with the applicable laws and regulations, including those of the Commission or its successor, in effect at such time.

25. Investments. Moneys deposited into the Debt Service or Capital Projects Funds and any other fund or funds that the District may lawfully create may be invested or reinvested in authorized investments. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

26. Defeasance and Refunding. The District reserves the right to defease or refund the Bonds in any manner provided by law.

27. Remedies in Event of Default. In addition to all of the rights and remedies provided by laws of the State of Texas, the District further covenants and agrees that in the event of default in payment of principal or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund or any other fund or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution. Any delay or omission to exercise any right or power occurring upon any default shall not impair any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

28. Federal Income Tax Exclusion.

(a) General. The District intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 100 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the District covenants and agrees to comply with each requirement of this Section 28; provided, however, that the District shall not be required to comply with any particular requirement of this Section 28 if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the District has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 28 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 28.

(b) No Private Use or Payment and No Private Loan Financing. The District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) No Hedge Bonds. The District covenants and agrees that it has not and will not to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause

the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No Arbitrage. The District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the District will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

(f) Arbitrage Rebate. If the District does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other bond issue of the District or moneys which do not represent gross proceeds of any bonds of the District, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The District covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an



information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) Continuing Obligation. Notwithstanding any other provision of this Bond Resolution, the District's obligations under the covenants and provisions of this Section 28 shall survive the defeasance and discharge of the Bonds.

29. Qualified Tax-Exempt Obligations. The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the District represents (a) that the aggregate amount of tax-exempt obligations issued by the District during calendar year 2011, including the Bonds, which have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code does not exceed \$10,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during calendar year 2011, including the Bonds, will not exceed \$10,000,000. For purposes of this Section, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. In addition, for purposes of this Section, the District includes all governmental units which are aggregated with the District under section 265(b) of the Code.

30. Continuing Disclosure Undertaking.

The District qualifies for exemption from the Rule because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds (including the Bonds) and no person is committed by contract or other arrangement with respect to the payment of the Bonds. The District, as required in connection with such exemption, makes the following agreement for the benefit of the Registered Owners and beneficial owners of the Bonds.

(a) Annual Reports. The District shall provide annually to EMMA, within six months after the end of each fiscal year of the District ending in or after 2011, annual financial information and operating data with respect to the District of the general type included in the Audit. Any financial statements so provided shall be (1) prepared in accordance with generally accepted auditing standards or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Audit is completed within the period during which they must be provided. If the Audit is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the Audit becomes available.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's internet website or filed with the SEC.

All documents provided to EMMA by the District pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Material Event Notices. The District shall notify EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if Material;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds, if Material;
- H. Bond calls, if Material, and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if Material;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule;
- M. Consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

- action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if Material; and
- N. Appointment of a successor or additional trustee or the change of name of a trustee, if Material.

The District shall notify EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with paragraph (a) of this Section by the time required by such paragraph (a).

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

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the original primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. If the District so amends the provisions of this Section, it shall include in its next annual update an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that its right to do so would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

31. Official Statement. The District ratifies and confirms its prior approval of the form and content of the Preliminary Official Statement prepared in the initial offering of the Bonds and hereby authorizes and approves the amendment of the Preliminary Official Statement to add the terms of the Initial Purchaser's bid and to make any other changes necessary to comply with the provisions of this Resolution and existing law. The use of such final Official Statement in the reoffering of the Bonds by the Initial Purchaser is hereby approved and authorized. The proper officials of the District are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Bonds.

32. Related Matters. To satisfy in a timely manner all of the District's obligations under this Resolution, the President and Secretary of the Board of Directors of the District and all other appropriate officers and agents of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms and purposes of this Resolution.

33. Registrar. The form of agreement setting forth the duties of the Registrar is hereby approved, and the appropriate officials of the District are hereby authorized to execute such agreement for and on behalf of the District.

34. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Bonds.

35. District's Successors and Assigns. Whenever in this Resolution the District is named and referred to it shall be deemed to include its successors and assigns, and all covenants and agreements in this Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

36. Benefits of Resolution Provisions. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the District, the Registrar and the Registered Owners, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, all the covenants, conditions and provisions contained in this Resolution or in the Bonds being for the sole benefit of the District, the Registrar and the Registered Owners.

37. Severability Clause. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other persons or circumstances shall not be affected thereby.

38. Open Meeting. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

**[EXECUTION PAGE FOLLOWS]**

PASSED AND APPROVED on this \_\_\_\_ day of June, 2011.

ATTEST:

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

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

(SEAL)

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS     §  
                                     §  
COUNTY OF TRAVIS     §

I, the undersigned officer of the Board of Directors of Travis County Municipal Utility District No. 10, hereby certify as follows:

1. The Board of Directors of Travis County Municipal Utility District No. 10 convened in regular session on June 7, 2011, at the regular meeting place inside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Harvey Reiter	President
Jerry McAhren	Vice President
John Henry McMahon, Jr.	Secretary
Robert Ernst	Assistant Vice President
Vance Taylor	Assistant Secretary

and all of said persons were present except Director(s) \_\_\_\_\_  
thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE OF  
\$1,150,000 TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10  
WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX  
AND REVENUE BONDS, SERIES 2011

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the afore-said Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED on this 7<sup>th</sup> day of June, 2011.

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Secretary, Board of Directors

(SEAL)



**Exhibit 2**

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

**PRELIMINARY OFFICIAL STATEMENT**

DATED: APRIL 5, 2011

**\$1,150,000  
WATERWORKS AND SEWER SYSTEM  
COMBINATION UNLIMITED TAX AND REVENUE BONDS  
SERIES 2011**

**BIDS DUE: 12:00 NOON, HOUSTON TIME  
BONDS AWARDED: 1:00 P.M., HOUSTON TIME  
TUESDAY, JUNE 7, 2011  
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**

**\$1,150,000**

**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 2011**

Bids Due: Tuesday, June 7, 2011, at 12:00 Noon, Houston Time  
Bonds Awarded: Tuesday, June 7, 2011, at 1 :00 P.M., Houston Time

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

#### OFFICIAL NOTICE OF SALE

\$1,150,000

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 2011

**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 \$1,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (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, June 7, 2011, at 1:00 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., Four Houston Center, 1331 Lamar, Suite 1050, Houston, Texas 77010, prior to 12:00 Noon, Houston Time, on Tuesday, June 7, 2011. Any bid received after such scheduled deadline for bid delivery 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, June 7, 2011. 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, June 6, 2011, 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. Neither the District nor Rathmann & Associates, L.P. shall 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 the District's Financial Advisor, 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, June 6, 2011, 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 R. Craig Rathmann, Rathmann & Associates, L.P., but no later than 12:00 Noon, Houston Time, Tuesday, June 7, 2011. 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 1:00 P.M., Houston Time, Tuesday, June 7, 2011. 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 bear interest from July 1, 2011, with interest payable on March 1, 2012 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. Principal of and interest on the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., currently 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" in the Preliminary Official Statement. 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>
2013*	\$25,000	2026*	\$25,000
2014*	25,000	2027*	25,000
2015*	25,000	2028*	25,000
2016*	25,000	2029*	25,000
2017*	25,000	2030*	25,000
2018*	25,000	2031*	25,000
2019*	25,000	2032*	25,000
2020*	25,000	2033*	25,000
2021*	25,000	2034*	25,000
2022*	25,000	2035*	25,000
2023*	25,000	2036*	25,000
2024*	25,000	2037*	265,000
2025*	25,000	2038*	285,000

- \* 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 September 1, 2019, are subject to redemption and payment, at the option of the District, in whole or, from time to time, in part, on September 1, 2018, 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 fewer than all 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 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 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.

**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.

**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.

#### 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 7.39% 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 ½% in interest rate. No bids involving supplemental interest payments or zero interest rates will be considered. No bid generating a cash premium greater than \$5,000 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 total 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" or the "Initial Purchaser") whose bid, under the above computation, produces the lowest net effective interest rate. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing. 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) named.

**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 \$23,000, which is 2% of the principal amount of the Bonds (the "Good Faith Deposit"). Only bank cashier's checks will be accepted. 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 as to Official Statement."

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the "end of the underwriting period."

**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 OF THE BONDS AND ACCOMPANYING DOCUMENTS

**DELIVERY OF INITIAL BOND:** Delivery will be accomplished by the issuance of one initial Bond (the "Initial Bond") in the amount of \$1,150,000, 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 July 12, 2011, 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 July 12, 2011, or thereafter on the date the Initial Bond is tendered for delivery, up to and including August 15, 2011. If for any reason the District is unable to make delivery on or before August 15, 2011, 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.

**EXCHANGE FOR DTC DEFINITIVE BONDS:** The Registrar will, on the delivery date, exchange the Initial Bond for definitive Bonds, consisting of one Bond per maturity, registered in the name of Cede & Co., as nominee of DTC, in integral multiples of \$5,000, maturing as set out in the Official Notice of Sale and bearing interest in accordance with the terms of the Initial Purchaser's bid. 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 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, 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 interest on the Bonds is not subject to the alternative minimum tax on individuals or corporations, except for certain alternative minimum tax consequences for 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 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 \$10,000,000.

The District 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 District and entities subordinate to the District during calendar year 2011 is not expected to exceed \$10,000,000 and that the District and entities subordinate to the District have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2011.

Based on the foregoing representations, Bond Counsel's opinion will state that the Bonds are "qualified tax-exempt obligations" under existing law.

Notwithstanding this exception, 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

**FUTURE REGISTRATION:** The Bonds are transferable on the bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged, but the District may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

**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.

**INVESTMENT CONSIDERATIONS:** 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 "INVESTMENT CONSIDERATIONS."

**RESERVATION OF RIGHTS:** The District reserves the right to reject all bids or any bid not conforming with the terms hereof and the right to waive any and all irregularities, except time of filing.

**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.

CONTINUING DISCLOSURE AGREEMENT: The District will agree in the Bond Resolution to 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 past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

ADDITIONAL COPIES: Additional copies of the Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement may be obtained from 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

April 5, 2011

# CERTIFICATE OF UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of \$1,150,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (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>
\$25,000	2013	_____	\$25,000	2026	_____
25,000	2014	_____	25,000	2027	_____
25,000	2015	_____	25,000	2028	_____
25,000	2016	_____	25,000	2029	_____
25,000	2017	_____	25,000	2030	_____
25,000	2018	_____	25,000	2031	_____
25,000	2019	_____	25,000	2032	_____
25,000	2020	_____	25,000	2033	_____
25,000	2021	_____	25,000	2034	_____
25,000	2022	_____	25,000	2035	_____
25,000	2023	_____	25,000	2036	_____
25,000	2024	_____	265,000	2037	_____
25,000	2025	_____	285,000	2038	_____

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 ten 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 Underwriter [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from \_\_\_\_\_ (the "Insurer") for a fee of \$\_\_\_\_\_ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

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 \_\_\_\_\_, 2011.

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

By \_\_\_\_\_

Title \_\_\_\_\_

# **OFFICIAL BID FORM**

June 7, 2011

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 \$1,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (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 considerations 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 all of 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>(March 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(March 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013(i)	\$25,000	_____	2026(i)(ii)	\$25,000	_____
2014(i)	25,000	_____	2027(i)(ii)	25,000	_____
2015(i)	25,000	_____	2028(i)(ii)	25,000	_____
2016(i)	25,000	_____	2029(i)(ii)	25,000	_____
2017(i)	25,000	_____	2030(i)(ii)	25,000	_____
2018(i)	25,000	_____	2031(i)(ii)	25,000	_____
2019(i)(ii)	25,000	_____	2032(i)(ii)	25,000	_____
2020(i)(ii)	25,000	_____	2033(i)(ii)	25,000	_____
2021(i)(ii)	25,000	_____	2034(i)(ii)	25,000	_____
2022(i)(ii)	25,000	_____	2035(i)(ii)	25,000	_____
2023(i)(ii)	25,000	_____	2036(i)(ii)	25,000	_____
2024(i)(ii)	25,000	_____	2037(i)(ii)	265,000	_____
2025(i)(ii)	25,000	_____	2038(i)(ii)	285,000	_____

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

Total Interest Cost from July 1, 2011 .....	\$ _____
Plus: Cash Discount .....	_____
(or Less: Dollar Amount of Premium) .....	\$ _____
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 Maturity Date (September 1)</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bonds</u>	<u>Interest Rate</u>
_____	_____	\$ _____	_____ %
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

- (ii) Subject to optional redemption on September 1, 2018, and on any date thereafter, at a price equal to the principal amount thereof plus accrued interest.

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

We will require 250 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 Securities and Exchange Commission.

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, and payable to your order in the amount of \$23,000 (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 accept delivery of and make payment for the Initial Bonds in immediately available funds at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, not later than 10:00 A.M., Houston Time, on July 12, 2011, 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.

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,

\_\_\_\_\_

\_\_\_\_\_  
Name of Underwriter

\_\_\_\_\_

By:

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

\_\_\_\_\_

\_\_\_\_\_  
Title

#### ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Travis County Municipal Utility District No. 10, this 7th day of June, 2011.

ATTEST:

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

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

Return of \$23,000 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.)

**\$1,150,000**  
**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10**  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE BONDS**  
**SERIES 2011**

**BOND YEARS**

Interest accrues from: July 1, 2011

Due: September 1

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>
2013	\$25,000	54.1667	54.1667
2014	25,000	79.1667	133.3333
2015	25,000	104.1667	237.5000
2016	25,000	129.1667	366.6667
2017	25,000	154.1667	520.8333
2018	25,000	179.1667	700.0000
2019	25,000	204.1667	904.1667
2020	25,000	229.1667	1,133.3333
2021	25,000	254.1667	1,387.5000
2022	25,000	279.1667	1,666.6667
2023	25,000	304.1667	1,970.8333
2024	25,000	329.1667	2,300.0000
2025	25,000	354.1667	2,654.1667
2026	25,000	379.1667	3,033.3333
2027	25,000	404.1667	3,437.5000
2028	25,000	429.1667	3,866.6667
2029	25,000	454.1667	4,320.8333
2030	25,000	479.1667	4,800.0000
2031	25,000	504.1667	5,304.1667
2032	25,000	529.1667	5,833.3333
2033	25,000	554.1667	6,387.5000
2034	25,000	579.1667	6,966.6667
2035	25,000	604.1667	7,570.8333
2036	25,000	629.1667	8,200.0000
2037	265,000	6,934.1667	15,134.1667
2038	285,000	7,742.5000	22,876.6667
Total Bond Years:	22,876.6667		
Average Maturity:	19.893 years		



**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 5, 2011**

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 INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR 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****\$1,150,000****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 2011****Dated: July 1, 2011****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 July 1, 2011, and is payable on March 1, 2012 (eight-month interest payment), and on each September 1 and March 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)
\$ 25,000	2013	%	%	\$ 25,000	2026(b)	%	%
25,000	2014			25,000	2027(b)		
25,000	2015			25,000	2028(b)		
25,000	2016			25,000	2029(b)		
25,000	2017			25,000	2030(b)		
25,000	2018			25,000	2031(b)		
25,000	2019(b)			25,000	2032(b)		
25,000	2020(b)			25,000	2033(b)		
25,000	2021(b)			25,000	2034(b)		
25,000	2022(b)			25,000	2035(b)		
25,000	2023(b)			25,000	2036(b)		
25,000	2024(b)			265,000	2037(b)		
25,000	2025(b)			285,000	2038(b)		

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). 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, 2019, 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, 2018, 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 method of random selection 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 third 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, \$1,685,000 of which are currently outstanding, and \$3,570,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2010, all 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, \$13,660,000 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 LLP, Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about July 12, 2011, 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 Underwriter (as hereinafter defined) and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

Neither the District nor the Underwriter makes 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, as amended.

**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 United States 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 .....	\$1,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, are dated July 1, 2011, 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 July 1, 2011, and is payable on March 1, 2012 (eight-month interest payment), and on each September 1 and March 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, 2019, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2018, 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) water, wastewater and drainage facilities and Lift Station No. 3 to serve Waterford on Lake Travis, Section 4A, and (b) land costs for lift station facilities and water quality ponds; (ii) pay engineering fees associated with such construction projects; (iii) pay interest on advances that have been made on the District’s behalf; and (iv) 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 third 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”), \$1,685,000 of which are currently outstanding, and \$3,570,000 Waterworks and Sewer System combination Unlimited Tax and Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), all of which are currently outstanding (collectively, the “Outstanding Bonds”).
Authorized But Unissued Bonds .....	\$13,660,000 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.” In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of 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.”
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. See "LEGAL MATTERS."
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 "TAX MATTERS - Qualified Tax-Exempt Obligations."

## 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 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. See "THE BONDS - Annexation." 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 . . . . .

As of March 1, 2011, the District contained a total of 66 single-family homes (including 2 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 1,422 to 1,915 square feet of living area and in sales price from approximately \$245,000 to \$469,000.

According to the District's Engineer, underground water supply and distribution, wastewater collection and treatment, 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" below), the initial developer of the Waterstone Condominiums on Lake Travis, conveyed 52 of such condominiums and CDDR Properties, LLC sold 8 of such condominiums to HW Waterstone, L.P. ("HW") in August 2010. HW has sold 1 of such units, and has contracted to sell 2 additional units. The District cannot predict whether the sale of the two units that are under contract will be

consummated. Including the aforementioned unit that HW has sold, a total of 12 of such condominium units have been sold since the April 2009 completion of the project. HW is marketing the remaining 57 condominium units for sale to prospective purchasers.

In September 2004, Waterford LT Partners, L.P. ("Waterford Partners") (see "Developer and Other Principal Land Owners" below) 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale.

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 completed the development of the aforementioned 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 46 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 2010 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 financed the cost of acquisition or construction of the 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 Series 2010 Bonds. The District will finance the cost of acquisition or construction of components of the System that serve Waterford on Lake Travis, Section 4A, 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 components of the System that serve Waterford on Lake Travis, Sections 1 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 portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE SYSTEM.”

Developer and Other Principal Land Owners . . . . .

*Waterford LT Partners, L.P.*

In September 2004, Waterford LT Partners, L.P. (“Waterford Partners”), a Texas limited partnership whose general partner is Waterford LT 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 Waterford Investors, LP; Waterford Equity Partners, L.P.; and Waterford New Equity Partners, L.P. Waterford Partners obtains management services through Winston Management Partners, a subsidiary of Winston Capital Corporation. Winston Capital Corporation is a Dallas, Texas, based corporation which, through its subsidiaries, develops, owns, and manages properties primarily in major cities in Texas, but also includes properties in South Carolina, Colorado, Oklahoma, California and Louisiana. Winston Capital Corporation’s portfolio includes land, multi-family housing communities, mixed-used developments, and

waterfront property. The District cautions that the foregoing development experience was gained in different markets and under different circumstances than exist today, and any prior success is no indication or guarantee of success in the development of land within the District. Waterford Partners has obtained development financing pursuant to a non-revolving multiple advance loan from American Bank of Texas. Such loan is in the maximum amount of \$11,049,300, matures on September 12, 2011, and, as of March 1, 2011, had an outstanding balance of \$6,351,000.

Waterford Partners is a minimally-capitalized entity whose primary assets are its developed lots, undeveloped land, and marina within the District. Waterford Partners is dependent upon sale of lots, reimbursement from proceeds of District bonds, and advances and/or loans from its limited partners to provide funds for payment of its obligations. 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.

The original developer of the District 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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. 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.

*HW Waterstone, L.P.*

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. WD completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon. WD sold 52 of such units and CDDR Properties, LLC sold 8 of such condominiums to HW Waterstone, L.P. (“HW”) in August 2010. HW has sold 1 of such units, and has contracted to sell 2 additional units. The District cannot predict whether the sale of the two units that are under contract will be consummated. Including the aforementioned unit that HW has sold, a total of 12 of such condominium units have been sold since the April 2009 completion of project. HW is marketing the remaining 57 condominium units for sale to prospective purchasers. The Waterstone Condominiums on Lake Travis range in size from approximately 1,422 to 1,915 square feet of living area and units are currently being offered for sale by HW in sales price from approximately \$245,000 to \$469,000.

*HA Waterford Investors, L.P.*

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 2010 Taxpayers,” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

**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)

2010 Assessed Valuation .....	\$ 97,407,729(a)
(As of January 1, 2010)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at February 1, 2011 .....	\$105,778,214(b)
(As of February 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
The Outstanding Bonds .....	\$ 5,255,000
The Bonds .....	<u>1,150,000</u>
Total .....	\$ 6,405,000(c)
Estimated Overlapping Debt .....	<u>\$ 1,740,938</u>
Direct and Estimated Overlapping Debt .....	<u>\$ 8,145,935</u>
Direct Debt Ratios	
: as a percentage of 2010 Assessed Valuation .....	6.58%
: as a percentage of Estimated Valuation at February 1, 2011 .....	6.06%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2010 Assessed Valuation .....	8.36%
: as a percentage of Estimated Valuation at February 1, 2011 .....	7.70%
Debt Service Fund Balance as of April 5, 2011 .....	\$ 784,711(d)
General Fund Balance as of April 5, 2011 .....	\$ 786,552
2010 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax .....	\$0.347
Maintenance Tax .....	<u>0.400</u>
Total .....	\$0.747(c)
Percentage of Tax Collections 1999 through 2009 Levies .....	99.71%
Tax Collections 2010 Tax Levy as of March 31, 2011 .....	98.18%
In process of collection.	
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2012-2036) .....	\$ 451,070
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2036) .....	\$ 473,998
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2012-2036) at 95% Tax Collections	
Based Upon 2010 Assessed Valuation .....	\$0.49(f)
Based Upon Estimated Valuation at February 1, 2011 .....	\$0.45(f)

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 2010 Assessed Valuation .....	\$0.52(f)
Based Upon Estimated Valuation at February 1, 2011 .....	\$0.48(f)
Number of Single Family Residences (including 2 residences under construction) as of March 1, 2011 .....	
	66
Number of Condominium Units as of March 1, 2011 .....	
	71

- (a) As of January 1, 2010. All property located in the District is valued on the tax rolls by the Travis Central 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"). See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."
- (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 February 1, 2011, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2010, through January 31, 2011. The value of all taxable property is certified annually as of January 1 by the Appraisal Review Board. No taxes were levied for 2010 against any values added since January 1, 2010. The assessed valuation of additions to the District's tax base from January 1, 2010, through December 31, 2010, which will be reflected on the District's 2011 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2011 tax roll. The assessed valuation of additions to the District's tax base from January 1, 2011, through January 31, 2011, which will be reflected on the District's 2012 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2012 tax roll.
- (c) See "DISTRICT DEBT." In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of 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) 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 payment by the District of its debt service requirements that were due March 1, 2011. The District's remaining debt service payments for 2011, which are due on September 1, 2011, total \$221,930. The District's initial debt service requirements on the Bonds are due on March 1, 2012.
- (e) The District has levied a debt service tax for 2010 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 2010. 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 2011 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2011 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 \$2.5647. 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  
\$1,150,000 WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS  
SERIES 2011**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Travis County Municipal Utility District No. 10 (the "District") of its \$1,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 (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 \$1,150,000 Travis County Municipal Utility District No. 10 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011, are dated July 1, 2011. Interest accrues from July 1, 2011, and is payable on March 1, 2012 (eight-month interest payment), and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years and in the amounts shown under "MATURITY SCHEDULE" on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrars (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 Provisions**

Bonds maturing on September 1, 2019, 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, 2018, 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 third 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 "Series 2004 Bonds"), \$1,685,000 of which are currently outstanding, and \$3,570,000 Waterworks and Sewer System combination Unlimited Tax and Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), all of which are currently outstanding (collectively, the "Outstanding Bonds"). After sale of the Bonds, a total of \$13,660,000 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 as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that is pledged for payment of any special project bonds that may be issued), 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 - ANNUAL FINANCIAL REPORT."

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 supply and distribution, wastewater collection and treatment, and storm drainage facilities (the "System"), and could authorize additional amounts. Following the issuance of the Bonds, \$13,660,000 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 \$13,660,000 authorized but unissued bonds will be adequate to finance the extension of water supply and distribution, wastewater collection and treatment 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 portions of 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 Bonds) of the district.

Austin and Lago Vista entered into an Interlocal Cooperation Agreement dated April 15, 2004 (the "Austin-Lago Vista Agreement"), which sets forth the framework for the transference of property 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 pursuant 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 Outstanding Bonds and 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. Even if 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. Certain traditional legal remedies also may not be available. 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) water, wastewater and drainage facilities and Lift Station No. 3 to serve Waterford on Lake Travis, Section 4A, and (b) land costs for lift station facilities and water quality ponds; (ii) pay engineering fees associated with such construction projects; (iii) pay interest on advances that have been made on the District's behalf; and (iv) 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.

	<u>District's Share</u>
<b>Construction Costs</b>	
<b>A. Developer Contribution Items (a)</b>	
1. Waterford on Lake Travis, Section 4A Water, Wastewater and Drainage	\$ 742,540
2. Engineering for Item 1	<u>78,768</u>
Total Developer Contribution Items	\$ 821,308
<b>District Items</b>	
1. Land Costs for Lift Station Facilities and Water Quality Ponds	<u>\$ 11,007</u>
Total District Items	\$ 11,007
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 832,315</b>
<b><u>Non-construction Costs</u></b>	
1. Legal Fees	\$ 34,500
2. Fiscal Agent Fees	23,000
3. Developer Interest (b)	120,072
4. Bond Discount	34,500
5. Bond Issuance Expenses	31,588
6. Bond Application Report	70,000
7. Attorney General Fee	1,150
8. TCEQ Bond Issuance Fee	2,875

9. Contingency (c)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 317,685</u>
TOTAL BOND ISSUE REQUIREMENT	<u><b>\$1,150,000</b></u>

- (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	2014
Jerry McAhren	Vice President	2014
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., 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, 2010, is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's Annual Financial Report for the fiscal year ended September 30, 2010, prepared by McCall Gibson Swedlund Barfoot PLLC is reproduced as "APPENDIX B" 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 10 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 March 1, 2011, the District contained a total of 66 single-family homes (including 2 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 1,422 to 1,915 square feet of living area and in sales price from approximately \$245,000 to \$469,000.

According to the District's Engineer, underground water supply and distribution, wastewater collection and treatment, 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" below), the initial developer of the Waterstone Condominiums on Lake Travis, conveyed 52 of such condominiums and CDDR Properties, LLC sold 8 of such condominiums to HW Waterstone, L.P. ("HW") in August 2010. HW has sold 1 of such units, and has contracted to sell 2 additional units. The District cannot predict whether the sale of the two units that are under contract will be consummated. Including the aforementioned unit that HW has sold, a total of 12 of such condominium units have been sold since the April 2009 completion of the project. HW is marketing the remaining 57 condominium units for sale to prospective purchasers.

In September 2004, Waterford LT Partners, L.P. ("Waterford Partners") (see "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS" below) 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale.

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 completed the development of the aforementioned 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 46 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 2010 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 financed the cost of acquisition or construction of the 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 Series 2010 Bonds. The District will finance the cost of acquisition or construction of components of the System that serve Waterford on Lake Travis, Section 4A, 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 components of the System that serve Waterford on Lake Travis, Sections 1 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 portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE SYSTEM."

As of March 1, 2011, the status of development and home construction within the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u> <u>Sold</u>	<u>Under Construction</u> <u>Unsold</u>	<u>Completed</u> <u>Sold</u>	<u>Completed</u> <u>Unsold</u>	
Waterford on Lake Travis									
Section 1	54(i)	49.3			1	0	31	0	32
Section 2	28(ii)	20.1			0	0	19	0	19
Section 3	30	26.3			0	0	8	0	8
Section 3D	10(iii)	11.7			0	0	1	0	1
Section 4A	62	44.6			1	0	1	0	2
Section 6	25	28.9			0	0	1	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	2	0	64	0	66
Section 7									
Waterstone Condominiums on Lake Travis	71	25.0	0	0	0	0	12	59(iv)	71

- (i) 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.
- (ii) 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.
- (iii) Two Section 3 lots are not expected to require connection to the District's System since the owner of such lot has purchased three adjacent lots and constructed a home on the three lots.
- (iv) HW, which currently owns 59 Waterstone on Lake Travis Condominium units, has contracted to sell two of such 59 units, and is marketing the remaining 57 condominium units for sale to prospective purchasers. The District cannot predict whether the sale of the two units that are under contract will be consummated. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS" below.

#### DEVELOPER AND OTHER PRINCIPAL LAND OWNERS

##### *Waterford LT Partners, L.P.*

In September 2004, Waterford LT Partners, L.P. ("Waterford Partners"), a Texas limited partnership whose general partner is Waterford LT 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 Waterford Investors, LP; Waterford Equity Partners, L.P.; and Waterford New Equity Partners, L.P. Waterford Partners obtains management services through Winston Management Partners, a subsidiary of Winston Capital Corporation. Winston Capital Corporation is a Dallas, Texas, based corporation which, through its subsidiaries, develops, owns, and manages properties primarily in major cities in Texas, but also includes properties in South Carolina, Colorado, Oklahoma, California and Louisiana. Winston Capital Corporation's portfolio includes land, multi-family housing communities, mixed-used developments, and waterfront property. The District cautions that the foregoing development experience was gained in different markets and under different circumstances than exist today, and any prior success is no indication or guarantee of success in the development of land within the District. Waterford Partners has obtained development financing pursuant to a non-revolving multiple advance loan from American Bank of Texas. Such loan is in the maximum amount of \$11,049,300, matures on September 12, 2011, and, as of March 1, 2011, had an outstanding balance of \$6,351,000.

Waterford Partners is a minimally-capitalized entity whose primary assets are its developed lots, undeveloped land, and marina within the District. Waterford Partners is dependent upon sale of lots, reimbursement from proceeds of District bonds, and advances and/or loans from its limited partners to provide funds for payment of its obligations. 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.

The original developer of the District 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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 and some of whom continue to hold such lots for future construction or sale. 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. 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.

*HW Waterstone, L.P.*

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. WD completed the development of the 71-unit Waterstone Condominiums on Lake Travis thereon. WD sold 52 of such units and CDDR Properties, LLC sold 8 of such condominiums to HW Waterstone, L.P. ("HW") in August 2010. HW has sold 1 of such units, and has contracted to sell 2 additional units. The District cannot predict whether the sale of the two units that are under contract will be consummated. Including the aforementioned unit that HW has sold, a total of 12 of such condominium units have been sold since the April 2009 completion of project. HW is marketing the remaining 57 condominium units for sale to prospective purchasers. The Waterstone Condominiums on Lake Travis range in size from approximately 1,422 to 1,915 square feet of living area and units are currently being offered for sale by HW in sales price from approximately \$245,000 to \$469,000.

*HA Waterford Investors, L.P.*

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 2010 Taxpayers," and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

## **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 589.8 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 46 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. In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of 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 Bonds 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. 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 BONDS - Issuance of Additional Debt," "THE SYSTEM" and "RISK FACTORS - Future Debt."



**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken March 2011)**

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken March 2011)**

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken March 2011)**

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## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and estimated interest requirements of the Bonds.

Year Ending 12-31	Current Total Debt Service	-----The Bonds-----		Total New Debt Service
		Principal	Interest *	
2011	\$ 352,780			\$ 352,780
2012	353,950		\$ 77,146	431,096
2013	354,905	\$ 25,000	66,125	446,030
2014	355,650	25,000	64,688	445,338
2015	361,180	25,000	63,250	449,430
2016	361,220	25,000	61,813	448,033
2017	360,985	25,000	60,375	446,360
2018	365,455	25,000	58,938	449,393
2019	364,410	25,000	57,500	446,910
2020	367,770	25,000	56,063	448,833
2021	370,530	25,000	54,625	450,155
2022	372,705	25,000	53,188	450,893
2023	369,280	25,000	51,750	446,030
2024	370,530	25,000	50,313	445,843
2025	376,280	25,000	48,875	450,155
2026	376,280	25,000	47,438	448,718
2027	375,780	25,000	46,000	446,780
2028	379,780	25,000	44,563	449,343
2029	383,030	25,000	43,125	451,155
2030	385,310	25,000	41,688	451,998
2031	386,530	25,000	40,250	451,780
2032	391,690	25,000	38,813	455,503
2033	395,790	25,000	37,375	458,165
2034	403,830	25,000	35,938	464,768
2035	410,545	25,000	34,500	470,045
2036	415,935	25,000	33,063	473,998
2037		265,000	31,625	296,625
2038		285,000	16,388	301,388
	<u>\$9,762,130</u>	<u>\$1,150,000</u>	<u>\$1,315,415</u>	<u>\$12,227,545</u>

\* Interest is estimated at 5.75% per annum for purposes of illustration.

Average Annual Requirements (2012-2036) .....	\$ 451,070
Maximum Annual Requirement (2036) .....	\$ 473,998

## Bonded Indebtedness

2010 Assessed Valuation .....	\$ 97,407,729(a)
(As of January 1, 2010)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at February 1, 2011 .....	\$105,778,214(b)
(As of February 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
The Outstanding Bonds .....	\$ 5,255,000
The Bonds .....	<u>1,150,000</u>
Total .....	\$ 6,405,000(c)
Estimated Overlapping Debt .....	<u>\$ 1,740,938</u>
Direct and Estimated Overlapping Debt .....	<u><u>\$ 8,145,938</u></u>
Direct Debt Ratios	
: as a percentage of 2010 Assessed Valuation .....	6.58%
: as a percentage of Estimated Valuation at February 1, 1011 .....	6.06%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2010 Assessed Valuation .....	8.36%
: as a percentage of Estimated Valuation at February 1, 2011 .....	7.70%
Debt Service Fund Balance as of April 5, 2011 .....	\$ 784,711(d)
General Fund Balance as of April 5, 2011 .....	\$ 786,552
2010 Tax Rate Per \$100 of Assessed Valuation	
Debt Service Tax .....	\$0.347
Maintenance Tax .....	<u>0.400</u>
Total .....	\$0.747(c)

(a) As of January 1, 2010. All property located in the District is valued on the tax rolls by the Travis Central 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"). See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

(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 February 1, 2011, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2010, through January 31, 2011. The value of all taxable property is certified annually as of January 1 by the Appraisal Review Board. No taxes were levied for 2010 against any values added since January 1, 2010. The assessed valuation of additions to the District's tax base from January 1, 2010, through December 31, 2010, which will be reflected on the District's 2011 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2011 tax roll. The assessed valuation of additions to the District's tax base from January 1, 2011, through January 31, 2011, which will be reflected on the District's 2012 tax roll, may vary significantly from the levels reflected by such estimate of value once they are certified on the 2012 tax roll.

- (c) In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of 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) 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 payment by the District of its debt service requirements that were due March 1, 2011. The District's remaining debt service payments for 2011, which are due on September 1, 2011, total \$221,930. The District's initial debt service requirements on the Bonds are due on March 1, 2012.
- (e) The District has levied a debt service tax for 2010 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 2010. 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 2011 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2011 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 \$2.5647. 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."

### Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Debt as of	Estimated Overlapping	
	<u>March 1, 2011</u>	<u>Percent</u>	<u>Amount</u>
Travis County	\$558,954,897	0.0976%	\$ 545,457
Lago Vista Independent School District	14,491,396	8.2496	<u>1,195,481</u>
Total Estimated Overlapping Debt			\$1,740,938
The District (the Bonds and the Outstanding Bonds)			<u>6,405,000</u>
Total Direct & Estimated Overlapping Debt			\$8,145,938

### Debt Ratios

	% of 2010 <u>Assessed Valuation</u>	% of Estimated Valuation at <u>at February 1, 2011</u>
Direct Debt . . . . .	6.58%	6.06%
Direct and Estimated Overlapping Debt . . . . .	8.36%	7.70%

### TAX DATA

#### General

All taxable property located within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds.

## Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On August 12, 1989, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.00 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any parity bonds which may be issued in the future. The District has levied a maintenance tax of \$0.40 per \$100 of Assessed Valuation for 2010.

## Exemptions

The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons in an amount of \$10,000 of Assessed Valuation for 2009, but has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

## Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>% Collections Current &amp; Prior Years (b)</u>	<u>Tax Year Ending</u>
1999	\$13,157,346	\$0.5000(c)	\$ 65,787	100.00%	2000
2000	24,095,480	0.9500(c)	228,907	100.00	2001
2001	33,180,034	0.9500(c)	315,210	100.00	2002
2002	36,277,071	0.9500(c)	344,632	100.00	2003
2003	40,341,824	0.9500(c)	383,247	100.00	2004
2004	43,270,481	0.8000(c)	346,164	99.99	2005
2005	43,935,395	0.8000	351,483	99.99	2006
2006	51,130,344	0.7914	404,646	99.99	2007
2007	58,043,757	0.7500	435,328	99.30	2008
2008	65,736,851	0.7470	471,054	98.55	2009
2009	98,615,030	0.7470	736,664	99.04	2010
2010	97,407,729	0.7470	727,636	98.18(d)	2011

(a) Per \$100 of Assessed Valuation.

(b) As of March 31, 2011.

(c) Maintenance tax only.

(d) As of March 31, 2011. In process of collection.



### Analysis of Tax Base

The following table illustrates the composition of property located within the District for the past five years.

<u>Type of Property</u>	<u>2010 Assessed Valuation</u>	<u>%</u>	<u>2009 Assessed Valuation</u>	<u>%</u>	<u>2008 Assessed Valuation</u>	<u>%</u>
Land	\$54,733,362	56.19%	\$58,278,002	59.10%	\$33,752,085	51.34%
Improvements	45,501,762	46.71	41,426,407	42.01	34,037,340	51.78
Personal Property	317,275	0.33	665,787	0.68	675,364	1.03
Less Exemptions	<u>(3,144,670)</u>	<u>(3.23)</u>	<u>(1,755,166)</u>	<u>(1.78)</u>	<u>(2,727,938)</u>	<u>(4.15)</u>
Total	\$97,407,729	100.00%	\$98,615,030	100.00%	\$65,736,851	100.00%

<u>Type of Property</u>	<u>2007 Assessed Valuation</u>	<u>%</u>	<u>2006 Assessed Valuation</u>	<u>%</u>
Land	\$33,263,804	57.31%	\$28,964,536	56.65%
Improvements	27,164,203	46.80	22,244,746	43.51
Personal Property	188,835	0.33	188,350	0.37
Less Exemptions	<u>(2,573,085)</u>	<u>(4.43)</u>	<u>(267,288)</u>	<u>(0.52)</u>
Total	\$58,043,757	100.00%	\$51,130,344	100.00%

### Tax Rate Distribution

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Service	\$0.347	\$0.347	\$0.220	\$0.25	\$0.1500
Maintenance	<u>0.400</u>	<u>0.400</u>	<u>0.527</u>	<u>0.50</u>	<u>0.6414</u>
Total	\$0.747	\$0.747	\$0.747	\$0.75	\$0.7914

## Principal 2010 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2010. The information reflects the composition of property ownership reflected on the District's 2010 tax roll. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2010 Tax Roll</u>	<u>% of 2010 Tax Roll</u>
HW Waterstone, L.P.*	Condominiums	\$12,790,812	13.13%
Waterford LT Partners, L.P.	Lots and Acreage	7,273,697	7.47
Bank of America	Lot and House	5,277,818	5.42
C. Rex & Peggy Womble	Lot and House	1,917,513	1.97
Robert Ernst	Lot and House	1,860,000	1.91
Gregg Jacobson	Lot and House	1,830,234	1.88
Barry & Patricia Miller	Lot and House	1,738,839	1.79
Gary Becker, Trustee	Lot and House	1,610,000	1.65
Daniel & Lauren Sullenbarger	Lot and House	1,551,639	1.59
Roy Real Estate Group, LLC	Lot and House	<u>1,551,107</u>	<u>1.59</u>
		\$37,401,749	38.40%

- \* The record owner of the property as of January 1, 2010, was Waterstone Development, L.P. As is stated in this Official Statement under the caption "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," the current owner of 59 condominium units is HW Waterstone, L.P.

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the Estimated Valuation at February 1, 2011. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Bonds and the Outstanding Bonds.

Average Annual Debt Service Requirements (2012-2036) .....	\$451,070
Tax Rate of \$0.49 on the 2009 Assessed Valuation (\$97,407,729) produces .....	\$453,433
Tax Rate of \$0.45 on the Estimated Valuation at February 1, 2011 (\$105,778,214) produces .....	\$452,202
Maximum Annual Debt Service Requirements (2036) .....	\$473,998
Tax Rate of \$0.52 on the 2009 Assessed Valuation (\$97,407,729) produces .....	\$481,194
Tax Rate of \$0.48 on the Estimated Valuation at February 1, 2011 (\$105,778,214) produces .....	\$482,349

The District has levied a debt service tax in 2010 of \$0.347 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.40 per \$100 of Assessed Valuation. As the above table indicates, the 2010 debt service rate will be insufficient to pay the debt service on the Bonds and the Outstanding Bonds, unless taxable values increase beyond the level of the Estimated Valuation at February 1, 2011, assuming a tax collection rate of 95%, no use of District funds on hand and the sale of no additional bonds by the District. Taxable values within the District would have to reach \$136,833,005 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the average annual debt service requirements on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate

of 95%, no use of District funds on hand, and the sale of no bonds by the District in addition to the Bonds. Taxable values within the District would have to reach \$143,788,261 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the maximum annual debt service requirement on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no additional bonds by the District. However, the District currently intends to levy a debt service tax in 2011 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2011 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments." In addition to the water supply and distribution, wastewater collection and treatment, and storm drainage facilities that the District has financed with portions of 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."

### **Estimated Overlapping Taxes**

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2010 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2010 Tax Rate/\$100</u>
Lago Vista ISD	\$1.1800
Travis County	0.4658
Travis County Emergency Services District No. 1	0.1000
Travis County Healthcare District	0.0719
The District *	<u>0.7470</u>
<b>TOTAL TAX RATE</b>	<b>\$2.5647</b>

\* Consisting of a debt service tax of \$0.347 per \$100 of Assessed Valuation and a maintenance tax of \$0.40 per \$100 of Assessed Valuation.

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

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

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Travis County, including the District. Such appraisal values will be subject to review and change by the Travis County Appraisal Review Board (the "Appraisal Review Board").

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. See "TAX DATA - Exemptions."

**Freeport Goods Exemption:** Goods in transit ("freeport goods") are constitutionally exempted from taxation. Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and shipped out of the state within 175 days.

**Goods-In-Transit Exemption:** Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

## **Tax Abatement**

Travis County may designate all or part of the District as a reinvestment zone, and the District, Travis County, and the Lago Vista Independent School District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

## **District and Taxpayer Remedies**

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

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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

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

### **Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

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

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collection Limitations."

## **THE SYSTEM**

### **Regulation**

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Austin and/or the City of Lago Vista, and Travis County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFC") estimated at this time for the District upon the full development of its approximately 589.8 acres is approximately 332 with a total estimated population of 1,162 people (assuming that all are full-time residents). The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

The System presently serves the 212 fully developed single-family residential lots platted as Waterford on Lake Travis, Sections 1 through 3, 3D, 4A and 6, three lots that are not contained within any of such sections, plus the 71-unit Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) in the District. The District financed the cost of acquisition or construction of the components of the System that serve Waterford on Lake Travis, Sections 1, 2, 3 and 6, offsite water and wastewater facilities for Waterford on Lake Travis, Section 5, Water Plant Expansion, Phase I, Wastewater Treatment Plant, Phase I and Lift Station No. 1 with the proceeds of the sale of the Outstanding Bonds. The District will finance the cost of acquisition or construction of the components of the System that serve Waterford on Lake Travis, Section 4A, land costs for lift station facilities and water quality ponds, 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 acquisition of the components of the System that serve Waterford on Lake Travis, Section 7, the Water Treatment Plant, Transmission Main and Intake Barge, cluster septic system, Wastewater Treatment Plant, Phase 2, and other facilities with the proceeds of the sale, if any, of bonds in the future.

### **Water Supply**

The source of water supply for District customers is surface water from Lake Travis pursuant to a purchase agreement with the Lower Colorado River Authority dated January 12, 2000. The District is authorized to purchase up to 55 acre-feet (17.921 million gallons) of raw water per year for municipal purposes. The surface water diverted from Lake Travis is pumped from the raw water intake barge through two 500 gallons-per-minute ("gpm") pumps to the District's water treatment plant. The District financed Water Plant Expansion, Phase I with a portion of the proceeds of the sale of the Series 2004 Bonds.

The following table summarizes the District's current water supply facilities along with the capacity of each component (expressed as ESFC) based on TCEQ criteria:

<u>Facility</u>	<u>Minimum Requirement</u>	<u>Existing Capacity</u>	<u>Total Capacity ESFCs</u>
Pressure Tank	20 gal/ESFC	5,000 gal/ESFC	250
Ground Storage	200 gal/ESFC	551,000 gal/ESFC	2,755
Booster Pump	2.0 gpm/ESFC	1,600 gpm/ESFC	800
Raw Water Pump Capacity	0.6 gpm/ESFC	500 gpm/ESFC	833
Treatment Plant Capacity	0.6 gpm/ESFC	500 gpm/ESFC	833
Surface Water	360 gpd*/ESFC	49,098 gpd/ESFC	136

At this time, the District is not required to have and does not have an emergency water interconnect.

\* Gallons-per-day.

According to the District's Engineer, the District's existing water supply facilities provide sufficient capacity to serve 250 ESFCs.

#### **Wastewater Treatment Facilities**

Wastewater treatment for the District is provided by the District's 60,000 gpd plant that was completed in September, 2008. The plant includes two 30,000 gpd package plants, two 150,000 gallon effluent holding tanks and a surface drip irrigation system that discharges to 600,000 SF of irrigation zones. TCEQ Permit No. 14335-001 authorizes the plant to treat interim capacity of 0.060 MG (Phase II), and a final capacity of 0.0864 MGD, with disposal via irrigation. A 60,000 gpd plant can serve 200 ESFCs at 300 gpd per ESFC.

#### **Drainage Improvements**

Storm drainage from within the District generally drains through roadside ditches which convey runoff into Lake Travis via a storm culvert and existing natural drainage patterns. A portion of the proceeds of the sale of bonds, if any, to be sold in the future, is to be used for drainage improvements specific to the subdivision. The District is financing the culverts and roadside ditches in Waterford on Lake Travis, Section 4A with portions of the proceeds of the sale of the Bonds.

The Lower Colorado River Authority ("LCRA") Highland Lakes Watershed Ordinance applies to development within the District. It requires water quality facilities for any development with impervious cover greater than 15%. The District financed fifty percent (50%) of the land costs and taxes for the Water Quality Ponds serving the Waterstone Condominiums on Lake Travis (Waterford on Lake Travis, Section 7) with portions of the proceeds of the sale of the Outstanding Bonds, and will finance the remaining fifty percent (50%) of such costs with portions of the proceeds of the sale of the Bonds.

#### **100-Year Flood Plain**

The 100-year floodplain as it affects the District is contained within inundation easements dedicated to the Lower Colorado River Authority. The entire District outside of these easements lies above the 100-year flood plain for Lake Travis as defined by the United States Geological Survey (USGS) and the Federal Insurance Administration (FIA). The District is located in the Flood Insurance Rate Map (FIRM), Map Number 48453CO215H, Panel 215 of 730, Travis County, Texas, and Incorporated Areas, dated September 26, 2008.



## Waterworks and Sewer System Operating Statement

The following statement summarizes the operating history of the District's waterworks and sewer System for the fiscal years ended September 30, 2006, through 2010 (all audited), and the five-month period ended February 28, 2011 (unaudited). The summary has been condensed from information contained in the District's audited financial statements in the case of the fiscal years ended September 30, 2006, through 2010, to which reference is made for more complete and further information; and from an unaudited compilation of information supplied by the District's Bookkeeper in the case of the information covering the five-month period ended February 28, 2011. The derivation of Net Revenues which follows excludes depreciation expenses. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

	Fiscal Year Ended September 30					
	Five-Month Period Ended February 28, 2011*	2010	2009	2008	2007	2006
GENERAL FUND REVENUES:						
Property Taxes	\$235,580	\$391,456	\$338,011	\$291,766	\$319,974	\$183,948
Water Revenues	37,482	54,128	88,807	70,422	45,441	50,625
Sewer Revenues	18,549	43,649	29,636	17,610	16,050	11,640
Grinder Pump Maintenance	16,720	19,410	13,049	12,100	10,762	7,725
Penalty and Interest	566	856	1,731	1,654	829	1,090
Tap Connection and Inspection Fees	7,590	29,713	48,971	100,912	35,800	13,575
Investment Revenues	1,050	2,309	4,216	11,909	14,740	14,699
Miscellaneous Revenues	<u>295</u>	<u>2,264</u>	<u>530</u>	<u>1,586</u>	<u>2,939</u>	<u>5,822</u>
TOTAL GENERAL FUND REVENUES	\$317,832	\$543,785	\$524,951	\$507,959	\$446,535	\$289,124
GENERAL FUND EXPENDITURES:						
Professional Fees	\$34,234	\$146,332	\$154,624	\$ 94,779	\$ 46,055	\$ 83,765
Contracted Services	45,958	118,166	100,501	78,035	69,418	71,058
Purchased Water	6,422	11,728	8,447	7,534	6,622	6,544
Utilities	15,373	42,683	35,987	31,500	17,560	19,841
Repairs and Maintenance	32,225	89,786	117,347	60,079	66,195	27,725
Other	35,749	76,144	84,174	46,376	56,210	36,413
Capital Outlay	<u>20,257</u>	<u>118,328</u>	<u>10,557</u>	<u>0</u>	<u>71,155</u>	<u>411,375</u>
TOTAL GENERAL FUND EXPENDITURES	\$190,718	\$603,167	\$511,637	\$318,303	\$333,215	\$656,721
EXCESS GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$127,114	\$(59,382)	\$ 13,314	\$189,656	\$113,320	\$(367,597)

\* Unaudited.

Net Revenues are pledged to the payment of the Bonds and are defined in the Bond Resolution as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that is pledged for payment of any special project bonds that may be issued. The District does not expect that the operation of its System will provide Net Revenues sufficient to make significant contributions, if any, to the District's debt service requirements. The District's General Fund at September 30, 2010, was \$434,031 (audited), and at March 1, 2011, was \$564,040 (unaudited).

## RISK FACTORS

### General

The Bonds, which are obligations solely of the District and not of the State of Texas, Travis County, Texas, the City of Austin, Texas, the City of Lago Vista, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District, and are further secured by a pledge of and lien on Net Revenues, if any, derived from the operation of the District's System. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations," "Production of Net Revenues" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment" and - "Registered Owners' Remedies."

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction and the sale of single-family residences and condominium units of the types that have been constructed within the District can be significantly affected by factors such as interest rates, credit availability, construction costs, the level of residential foreclosures, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of March 1, 2011, the District contained 66 single-family homes (including 2 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family residential or condominium construction in the District other than that which has occurred to date.

**National Economy:** There has been a significant downturn in new housing construction in the United States, resulting in a decline in national housing market values. The Austin area, which includes Travis County and the area of the District (more particularly the Lake Travis market area), has experienced reduced levels of home construction and valuation. Although, as is described in this Official Statement under the captions "DEVELOPMENT AND HOME CONSTRUCTION," and "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS," (i) the development of 212 single-family residential lots is complete within the District, and (ii) as of March 1, 2011, the District contained 66 single-family homes (including 2 homes under construction), an 80-slip marina and parking lot, and the 71-unit Waterstone Condominiums on Lake Travis, the District cannot predict the pace or magnitude of any future development or single-family residential or condominium construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a continued downturn in the local and national housing and financial markets may have on the Austin and Travis County market generally and the Lake Travis market area, which includes the District, specifically.

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage and development funding have a direct impact on residential development activity and the construction and sales of single-family residences and condominium units, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders and condominium developers are able to finance the construction of new homes and condominium units for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or to facilitate the sale of the remaining unsold condominium units in the Waterstone Condominiums on Lake Travis. In addition, since the District is located approximately 26 miles northwest of the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and national credit and financial markets. A continued downturn in the economic conditions of Austin and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

**Single-Family Residential Lot Development, Home Construction and Condominium Markets on Lake Travis:** The single-family residential lot development, home construction and condominium markets on Lake Travis for lots, single-family homes and condominiums of the types heretofore developed and constructed in the District have been curtailed in recent years. Waterstone Development, L.P. ("WD") (see "DEVELOPER AND OTHER PRINCIPAL LANDOWNERS"), the initial developer of the 71-unit Waterstone Condominiums on Lake Travis, conveyed 52 of such condominiums and CDDR Properties, LLC sold 8 of such condominiums to HW Waterstone, L.P. ("HW") in August 2010. HW has sold 1 of such units, and has contracted to sell 2 additional units. The District cannot predict whether the sale of the two units that are under contract will be consummated. Including the aforementioned unit that HW has sold, a total of 12 of such condominium units have been sold since the April 2009 completion of the project. HW is marketing the remaining 57 condominium units for sale to prospective purchasers. The District cannot predict the pace with which HW might be able to sell the condominium units, if at all. 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. Moreover, Waterford Partners and HA may sell or otherwise dispose of their respective property within the District, or any other assets, at any time. In addition, a significant number of the currently vacant fully developed single-family residential lots located within the District have been sold to individuals who have no obligation to construct homes on such lots at any time, and thus the District cannot predict the likelihood that a home will be constructed on any of such lots. See "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2009 Taxpayers."

The housing industry in the Austin metropolitan area and on Lake Travis is very competitive, and the District can give no assurance that any future home construction will be undertaken within the District by any home builder or individual lot owner. The competitive positions of any developer or home builder or individual lot owner which might attempt future development or home building projects in the District in the sale of developed lots or in the construction or sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Moreover, the District cannot predict the likelihood of the sale of the remaining 57 unsold condominium units in the Waterstone Condominiums on Lake Travis.

**Developer/Builder Obligation to the District:** The ability of Waterford Partners, WD (both defined in this Official Statement under the caption "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"), or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See "TAX DATA - Principal 2010 Taxpayers." There is no commitment by or legal requirement

of Waterford Partners or HA to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home building company or any individual lot owner that has not yet constructed a home on a lot that such owner has purchased, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "FUTURE DEVELOPMENT." Moreover, the District cannot predict the likelihood of the future sale of the condominium units of Waterstone Condominiums on Lake Travis that are currently available for sale.

Waterford Partners is a minimally-capitalized entity whose primary assets are its developed lots, undeveloped land, and marina within the District. Waterford Partners is dependent upon sale of lots, reimbursement from proceeds of District bonds, and advances and/or loans from its limited partners to provide funds for payment of its obligations. Waterford Partners is not responsible for, liable for, and has not made any commitment for payment of debt service on the Bonds or other obligations of the District. Waterford Partners has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District or any other assets, at any time. Further, the financial condition of Waterford Partners is subject to change at any time.

### **Maximum Impact on District Tax Rates**

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2010 Assessed Valuation is \$97,407,729. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$473,998 (2036) and the Average Annual Debt Service Requirements on the Bonds will be \$451,070 (2012 through 2036, inclusive). Assuming no increase to nor decrease from the 2010 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rates of \$0.52 and \$0.49 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Moreover, the Estimated Valuation at February 1, 2011, of property located within the District, supplied by the Appraisal District is \$105,778,214. Assuming no increase to nor decrease from the Estimated Valuation at November 1, 2009, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.48 and \$0.45 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District has levied a debt service tax for 2010 of \$0.347 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.40 per \$100 of Assessed Valuation. As the above table indicates, the 2010 debt service rate will be insufficient to pay the debt service on the Bonds and the Outstanding Bonds unless taxable values increase beyond the level of the Estimated Valuation at February 1, 2011, assuming a tax collection rate of 95%, no use of District funds on hand and the sale of no additional bonds by the District. Taxable values within the District would have to reach \$136,833,005 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no bonds by the District in addition to the Bonds and the Outstanding Bonds. Taxable values within the District would have to reach \$143,788,261 in order for a debt service tax rate of \$0.347 per \$100 Assessed Valuation to be sufficient to pay the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the sale of no additional bonds by the District. See "TAXING PROCEDURES." However, the District currently intends to levy a debt service tax in 2011 of approximately \$0.44 per \$100 of Assessed Valuation in connection with the sale of the Bonds, and a 2011 maintenance tax of approximately \$0.307 per \$100 of Assessed Valuation. Increases in the District's tax rate to higher levels than the total \$0.747 per \$100 of Assessed Valuation rate which the District levied for 2010 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

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 \$2.5647 per \$100 of Assessed Valuation. Such aggregate rates 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.

#### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

#### **Production of Net Revenues**

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer service to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. The District's General Fund (operating fund) balance was \$434,031 at September 30, 2010 (audited), and was \$564,040 at March 1, 2011 (unaudited). An audit of the District's accounts for the fiscal year ended September 30, 2010, and is included as "APPENDIX B" to this Official Statement. See "THE SYSTEM - Waterworks and Sewer System Operating Statement."

#### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

## **Future Debt**

The District reserved in the Bond Resolution the right to issue the remaining \$13,660,000 in combination unlimited tax and revenue bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$13,200,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$13,660,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. The District's Engineer currently estimates that the aforementioned \$13,660,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION," "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 portions of 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. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

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

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

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

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

## **Continuing Compliance with Certain Covenants**

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS - Tax Exemption."

## **Environmental Regulation**

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

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

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

### *Air Quality Issues*

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county "Austin Area" – Travis, Hays, Williamson, Bastrop, and Caldwell counties – has been redesignated by the EPA as an attainment area. The Austin Area entered into an early action compact ("EAC") with the TCEQ and EPA which demonstrates attainment and maintenance of the 8-hour ozone standard. EACs allow regions that are in nonattainment or near-nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

The area reports semi-annually on the progress of their control measures. The EAC ended on December 31, 2007. However, as noted below, the EAC State Implementation Plan revision demonstrates maintenance through 2012 as part of the area's commitment. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 19, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

### *Water Supply and Discharge Issues*

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

Pursuant to the Safe Drinking Water Act ("SWDA"), potable (drinking) water provided by the District to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Further, EPA adopted new drinking water rules in 2006 (the Stage 2 Disinfectants and Disinfection Byproducts Rule; the Long Term 2 Enhanced Surface Water Treatment Rule, and the Ground Water Rule), which the TCEQ adopted on December 19, 2007. These new rules became effective on January 10, 2008. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by the District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties. On August 8, 2007, the TCEQ adopted a TMDL for bacteria in Gilleland Creek located in northeastern Travis County. The EPA approved this TMDL on April 21, 2009, and the TMDL became part of the state's Water Quality Management Plan. In addition, TCEQ has postponed adoption of a bacteria TMDL for Peach Creek in Bastrop County. TCEQ is awaiting action on proposed revisions to the water quality standards, and is not expected to take action until early 2010.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and has issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on August 14, 2006) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007). The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans and in connection with the installation or performance of best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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



## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by 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 valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, and that the Bonds are further payable from and secured by a pledge of Net Revenues, if any, from the operation of the District's System, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "Tax Matters."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," "TAX MATTERS," "LEGAL MATTERS - Legal Opinions" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

## **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

## **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 \$10,000,000.

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 2011 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than 10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2011.

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

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended September 30, 2010, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement of Auditing Standards No. 115, including the District's response thereto, is included in "APPENDIX B."

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by Jones & Carter, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" was provided by Thomas W. Lee of Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the "end of the underwriting period."

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

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

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

### **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.

### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain financial information and operating data to the MSRB. The financial information and operating data which will be provided with respect to the District is found in "APPENDIX B" (the District's Annual Financial Report). Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year within such six month period, and audited financial statements when the audit report becomes available.

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

### **Material Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at [www.cmma.msrb.org](http://www.cmma.msrb.org).

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final

jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made by it in accordance with the Rule.

This Official Statement was approved by the Board of Directors of Travis County Municipal Utility District No. 10 as of the date shown on the first page hereof.

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

ATTEST:

Jack McMahon  
Secretary, Board of Directors  
Travis County Municipal Utility District No. 10

**APPENDIX A**  
**LOCATION MAP**



**APPENDIX B**

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

**TRAVIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2010**

