

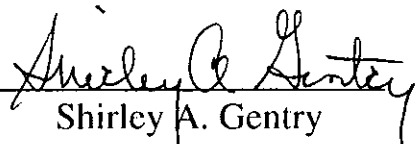
**RESOLUTION NO. 20110818-027**

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

Council authorizes the Moore's Crossing Municipal Utility District ("District") to issue Unlimited Tax Bonds, Series 2011, in an amount not to exceed \$2,000,000, and approves a substantial draft of the District's Bond Resolution (Exhibit 1) and the Preliminary Official Statement (Exhibit 2).

**ADOPTED:** August 18, 2011

**ATTEST:**

  
Shirley A. Gentry  
City Clerk

## EXHIBIT 1

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ORDER AUTHORIZING THE ISSUANCE OF \$2,000,000\* MOORE'S  
CROSSING MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS,  
SERIES 2011\*\*; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE  
BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE  
EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT;  
AWARDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER  
MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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\*Not to exceed amount, preliminary, subject to change.

\*\*Series designation will be changed as necessary to reflect year of issuance.

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**ORDER AUTHORIZING THE ISSUANCE OF \$2,000,000\* MOORE'S CROSSING  
MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES 2011\*\*;  
LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN  
OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING  
AGENT/REGISTRAR AGREEMENT; AWARDING THE SALE OF THE BONDS; AND  
AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

<b>THE STATE OF TEXAS</b>	<b>§</b>
<b>COUNTY OF TRAVIS</b>	<b>§</b>
<b>MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT</b>	<b>§</b>

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**WHEREAS**, the Moore's Crossing Municipal Utility District (the "District") was duly created by order of the Texas Water Commission (predecessor in interest to the Texas Commission on Environmental Quality) on June 7, 1987; and

**WHEREAS**, at an election held on November 3, 1987, the voters of the District confirmed creation of the District and authorized a maintenance tax in an amount not to exceed \$1.50 per \$100 valuation; and

**WHEREAS**, at an election held on November 3, 1987 (the "Bond Election"), the voters of the District authorized the issuance of bonds in one or more issues or series in the maximum amount of \$32,000,000 maturing serially or otherwise in such installments as are fixed by the Board of Directors over a period or periods not exceeding 40 years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, as defined by Chapter 1204 of the Texas Government Code, as amended, on any issue or series shall not exceed the maximum legal limit in effect at the time of the issuance of each such issues or series of said bonds, all as may be determined by the Board of Directors of said District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a water system, wastewater system, and 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 therefor and administrative facilities needed in connection therewith, and to provide for the payment of principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District, as may be provided in the order or resolutions authorizing the issuance of such bonds, all as authorized by the Constitution and laws of the State of Texas; and

**WHEREAS**, the Texas Commission on Environmental Quality (the "Commission") by order dated June 24, 2010 (the "Commission Order") approved the issuance by the District of \$2,000,000\* in principal amount of bonds upon the terms and conditions as outlined in the Commission Order;

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\*Not to exceed amount, preliminary, subject to change.

\*\*Series designation will be changed as necessary to reflect year of issuance.

and

**WHEREAS**, the City of Austin (the "City") has consented to the creation of the District and the issuance of bonds by the District pursuant to the terms and conditions of a Consent Agreement between the City and the District (the "Consent Agreement"); and

**WHEREAS**, the City has approved the issuance of the Bonds on \_\_\_\_\_, 2011 in accordance with the Consent Agreement; and

**WHEREAS**, the Board of Directors of the District deems it necessary and advisable at this time to issue \$2,000,000\* of bonds pursuant to Chapters 49 and 54 of the Texas Water Code and the Bond Election authorization and reserving the right in the future to issue the remaining \$23,905,000\*\* of bonds authorized at the Bond Election.

**THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT:**

## **ARTICLE ONE**

### **PREAMBLE**

**SECTION 1.01**      **INCORPORATION OF PREAMBLE.** The Board of Directors of the Moore's Crossing Municipal Utility District (the "District") hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that the recitals are true and correct.

## **ARTICLE TWO**

### **DEFINITIONS AND INTERPRETATIONS**

**SECTION 2.01.**      **DEFINITIONS.** When used in this Bond Order, except in Article Six, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

"Additional Bonds" means the additional bonds payable from ad valorem taxes which the Board expressly reserves the right to issue in Section 11.01 of this Bond Order.

"Authorized Investments" means authorized obligations as set forth in the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and the District's investment policy.

"Board of Directors" or "Board" means the governing body of the District.

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\*Not to exceed amount, preliminary, subject to change

\*\*Preliminary, subject to change.



"Bonds" means the Bonds initially issued and delivered pursuant to this Bond Order and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Bond Order" or "Order" means this Bond Order of the Board of Directors authorizing the issuance of the Bonds.

"Commission" means the Texas Commission on Environmental Quality and any successors or assigns.

"Commission Order" means the order dated June 24, 2010 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

"Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

"District" means Moore's Crossing Municipal Utility District and any other public agency succeeding to the powers, rights, privileges, and functions of the District and, when appropriate, the Board of Directors of the District.

"DTC" means the Depository Trust Company of New York.

"Exchange Bonds" means Bonds registered, authenticated, and delivered by the Registrar, as provided in Section 4.01 of this Bond Order.

"Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporation).

"Fiscal Year" means the twelve-month accounting period for the District, which presently is the twelve-month period beginning on October 1 of each year and ending on September 30 of the following year, but which may be changed from time to time by the Board of Directors.

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Sections 3.02 and 3.03 of this Bond Order.

"Initial Purchaser" means the persons identified in Section 15.01 of this Bond Order as the initial purchaser of the Bonds.

"Interest Payment Date" means a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on \_\_\_\_\_, 20\_\_\_\_, and semi-annually on each March 1 and September 1 thereafter until the earlier of maturity or redemption.

"MSRB" means the Municipal Securities Rulemaking Board.

"Record Date" means, with respect to an Interest Payment Date of September 1, the preceding August 15, and with respect to an Interest Payment Date of March 1, the preceding February 15, whether or not such dates are business days.

"Redemption Date" means a date fixed for redemption of any Bond pursuant to the terms of this Bond Order.

"Register" means the registry system maintained on behalf of the District by the Registrar in which are listed the names and addresses of the Registered Owners and the principal amount of Bonds registered in the name of each Registered Owner.

"Registered Owner" means any person or entity in whose name a Bond is registered.

"Registrar" or "Paying Agent/Registrar" means \_\_\_\_\_, or such other bank, trust company, financial institution, or other entity as may hereafter be designated by the District to act as paying agent and registrar for the Bonds in accordance with the terms of this Bond Order.

"Replacement Bonds" means the Bonds authorized by the District to be issued in substitution for lost, apparently destroyed, or wrongfully taken Bonds as provided in Section 4.02 of this Bond Order.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

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

"System" means the water system, sanitary sewer system, and drainage and storm sewer system providing services to land within the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof; provided that the System

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\*To be completed closer to pricing.

shall not include facilities acquired or constructed to perform contracts between the District and other persons, including private corporations, municipalities and political subdivisions which are financed by proceeds of the District's revenue bonds issued particularly to finance facilities needed to perform such contracts.

**SECTION 2.02. INTERPRETATIONS.** The titles and headings of the articles and sections and the page numbers of this Bond Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Bond Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the taxes levied in payment thereof.

### **ARTICLE THREE**

#### **AUTHORIZATION, REGISTRATION, EXECUTION, AND AUTHENTICATION OF BONDS**

**SECTION 3.01. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION.** Each Bond issued pursuant to this Bond Order shall be known and designated as "Moore's Crossing Municipal Utility District Unlimited Tax Bond, Series 2011\*" and the Bonds shall be issued in the aggregate principal amount of \$2,000,000\*\* for the purposes of financing: (i) a detention pond to serve Stoney Ridge, Phase B; (ii) water, wastewater and drainage facilities to serve Stoney Ridge, Phase B, Section 2; (iii) capitalized interest on the Bonds in accordance with Commission requirements; (iv) paying certain engineering costs; (v) paying certain costs associated with the issuance of the Bonds; and (vi) for any other purposes authorized by the Commission Order, Commission rules or the Bond Election. The Bonds are issued under the authority of the Constitution and laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; the Bond Election; the Commission Order; and the Consent Agreement.

**SECTION 3.02. FORM, DATE, NUMBERS, AND DENOMINATION.** The Bonds shall be issued and delivered in fully registered form without coupons, and may be transferred and exchanged after initial delivery as provided in Article Four of this Bond Order. The Bonds shall be dated \_\_\_\_\_, 2011\*\*\*. The Initial Bond shall be numbered T-1. Bonds registered and delivered by the Registrar subsequent to the Initial Bond shall be numbered by the Registrar R-1 upward and no two Bonds shall be given the same number. The Bonds registered and delivered subsequent to the Initial Bond shall be in principal denominations of \$5,000 or any integral multiple thereof.

**SECTION 3.03. INTEREST RATES AND MATURITIES.** Bonds shall bear interest from \_\_\_\_\_, 2011\*\*\*, at the rate or rates set forth in the following schedule on the \_\_\_\_\_

\*Series designation will be changed as necessary to reflect year of issuance.

\*\*Not to exceed amount, preliminary, subject to change.

\*\*\*To be completed closer to pricing.

basis of a 360 day year composed of twelve 30-day months, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Five hereof, on September 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>Year of Maturity*</u>	<u>A m o u n t Maturing*</u>	<u>Interest Rate</u>	<u>Year of Maturity*</u>	<u>Amount Maturing*</u>	<u>Interest Rate</u>
2012	\$ 25,000		2022	\$100,000	
2013	25,000		2023	100,000	
2014	50,000		2024	125,000	
2015	50,000		2025	125,000	
2016	50,000		2026	125,000	
2017	50,000		2027	150,000	
2018	75,000		2028	150,000	
2019	75,000		2029	175,000	
2020	75,000		2030	175,000	
2021	100,000		2031	200,000	

**SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST.** The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be 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, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the designated office for payment of the Registrar. The interest on each Bond shall be payable on \_\_\_\_\_, 20\_\_\_\_", and semiannually thereafter on March 1 and September 1 of each year by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for payment on any Bond is a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized by law or executive order to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

**SECTION 3.05. SUCCESSOR REGISTRARS.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District

\*Preliminary, subject to change.

\*\*To be completed closer to pricing.

reserves the right to change the Registrar on not less than 30 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on 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 hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

**SECTION 3.06. 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 15 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 5 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.

**SECTION 3.07. REGISTERED OWNERS.** 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 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 3.07 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.

**SECTION 3.08. EXECUTION OF BONDS.** The Bonds shall be signed on behalf of the District by the President or Vice-President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The 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 the 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 appears 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.

**SECTION 3.09. AUTHENTICATION.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer

of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

**SECTION 3.10. BOOK-ENTRY-ONLY PROVISIONS.** (a) Book-Entry-Only System. The Bonds issued in exchange for the Initial Bond as provided in Section 3.02 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (b) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities 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 (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/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, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Register as provided in this Order, 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 payment of principal of 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 evidencing the obligation of the District to make payments of principal, and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/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 in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall

either (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 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 of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no 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 the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

(c) Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations of the District to DTC.

(d) DTC Blanket Letter of Representations. The District confirms execution of a Blanket Issuer Letter of Representations with DTC establishing the Book-Entry-Only System which will be utilized with respect to the Bonds.

(e) Cancellation of Initial Bond. On the closing date, one Initial Bond representing the entire principal amount of the Bonds, payable in stated installments to the order of the Initial Purchaser of the Bonds or its designee set forth in Section 15.01 of this Bond Order, executed by manual or facsimile signature of the President and Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such Initial Purchaser or its designee set forth in Section 15.01 of this Bond Order. Upon payment for the Initial Bond, the Registrar shall cancel the Initial Bond and deliver to DTC on behalf of such Initial Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all the Bonds for such maturity.

## **ARTICLE FOUR**

### **REGISTRATION, TRANSFER, AND EXCHANGE**

**SECTION 4.01. REGISTRATION, TRANSFER, AND EXCHANGE.** So long as any Bonds remain outstanding, the Registrar shall keep at its designated office for payment the Register, in which, 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 Bond Order.

Each Bond shall be transferable only upon the presentation and surrender thereof at the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall

authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in authorized denominations 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 designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal 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 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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.

**SECTION 4.02. MUTILATED, LOST, OR STOLEN BONDS.** 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 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 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 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:

- (a) 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;



- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;
- (c) 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
- (d) 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 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 4.02 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

**SECTION 4.03. CANCELLATION OF BONDS.** All Bonds paid in accordance with this Bond Order, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated, registered, and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange, or replacement. This Registrar shall furnish the District with appropriate certificates of destruction of such Bonds.

## **ARTICLE FIVE**

### **REDEMPTION OF BONDS BEFORE MATURITY**

**SECTION 5.01. REDEMPTION OF BONDS.** The District reserves the right, at its option, to redeem the Bonds as set forth in the FORM OF BOND in Section 6.01.

## **ARTICLE SIX**

### **FORM OF BOND**

**SECTION 6.01. FORM OF BOND.** The Bonds authorized by this Bond Order shall be in substantially the following Form, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the

terms of this Bond Order. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Bond Order.

**FORM OF BOND**

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX BOND  
SERIES 2011\***

**NO. R-**

**PRINCIPAL  
AMOUNT**

**\$ \_\_\_\_\_**

**INTEREST RATE   DATE OF BONDS   MATURITY DATE   CUSIP NO.**  
\_\_\_\_\_, 2011\*

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

**ON THE MATURITY DATE** specified above, **MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from ) \_\_\_\_\_, 20\_\_\*\* on \_\_\_\_\_, 20\_\_\*\* and semiannually on each March 1 and September 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is

\*Series designation will be changed as necessary to reflect year of issuance.

\*\*To be completed closer to pricing.

determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

**THE PRINCIPAL OF AND INTEREST ON** this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at \_\_\_\_\_, which is the "Registrar" or "Paying Agent/Registrar" for this Bond at its designated office for payment in \_\_\_\_\_, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

**DURING ANY PERIOD** in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the District and the securities depository.

**ANY ACCRUED INTEREST** due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for payment at the designated office for payment of the Paying Agent/Registrar. The District covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and any redemption date for this Bond it will make available to the Registrar, from the "Debt Service Fund" the creation of which is affirmed by the Bond Order, the amounts required to provide for the payment, in immediately available funds, of all principal of and

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\*To be completed closer to pricing.

interest on the Bonds, when due.

**IF THE DATE** for any payment due on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**THIS BOND** is one of a series of Bonds dated as of \_\_\_\_\_, 20\_\_\* and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$2,000,000\*\*** **FOR THE PURPOSES OF FINANCING: (i) A DETENTION POND TO SERVE STONEY RIDGE, PHASE B; (ii) WATER, WASTEWATER AND DRAINAGE FACILITIES TO SERVE STONEY RIDGE, PHASE B, SECTION 2; (iii) CAPITALIZED INTEREST ON THE BONDS IN ACCORDANCE WITH COMMISSION REQUIREMENTS; (iv) PAYING CERTAIN ENGINEERING COSTS; (v) PAYING CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS; AND (vi) FOR ANY OTHER PURPOSES AUTHORIZED BY THE COMMISSION ORDER, COMMISSION RULES OR THE BOND ELECTION.**

ON \_\_\_\_\_, 20\_\_\* **OR ON ANY DATE THEREAFTER**, the Bonds maturing \_\_\_\_\_, 20\_\_\* and thereafter, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

**THE BONDS MATURING ON \_\_\_\_\_, 20\_\_\*** are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

Term Bond Maturing on \_\_\_\_\_, 20\_\_

<u>Mandatory</u> <u>Redemption Date</u>	<u>Principal Amount</u>
--	-------------------------

\*To be completed closer to pricing.

\*\*Not to exceed amount, preliminary, subject to change.

\_\_\_\_\_, 20 \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_, 20 \_\_\_\_\_ † \_\_\_\_\_

† Final Maturity

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

**AT LEAST 30** calendar days prior to the date fixed for redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Registrar by United States mail, first-class postage prepaid, to (i) the Registered Owner of each Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day prior to such redemption date and (ii) major securities depositories and bond information services. By the date fixed for any such redemption due provision shall be made with the Registrar for the payment of the required redemption price for the Bonds or portions for which such payment is made, all as provided above. The Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any authorized denomination or denominations, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Order.

**WITH RESPECT TO** any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was

given, to the effect that the Bonds have not been redeemed.

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in the principal denomination in the case of the Bonds, of any integral multiple of \$5,000. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Registrar shall not be required to make any such transfer, conversion or exchange of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) within 45 calendar days prior to its redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

**WHENEVER** the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

**IN THE EVENT** any Registrar for the Bonds is changed by the District, resigns, or otherwise ceases to act as such, the District has covenanted in the Bond Order that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Bonds.

**THE BONDS** are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts,

to consolidate its waterworks and sewer systems with the systems of such districts. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or Defeasance Securities are deposited with or made available to the Registrar in accordance with the Bond Order or (ii) the City dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

**THE BONDS** are issued pursuant to the Bond Order, whereunder the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Order, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Bond Order. Reference is hereby made to the Bond Order for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owners of the Bonds. By acceptance of this Bond the Registered Owner hereof consents to all of the provisions of the Bond Order, a certified copy of which is on file in the office of the District.

**THE OBLIGATION** to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

**THE DISTRICT RESERVES THE RIGHT** to issue additional bonds heretofore or hereafter duly authorized at elections held in the District payable from a lien on and pledge of taxes; revenue bonds, notes and other obligations payable solely from revenues of the District or revenues to be received under contracts with other persons, including private corporations, municipalities and political subdivisions or from any other source. The District further reserves the right to issue refunding bonds in any manner permitted by law to refund any bonds (including the Bonds) at or prior to their respective dates of maturity or redemption.

**TO THE EXTENT** permitted by and in the manner provided in the Bond Order, the terms and provisions of the Bond Order and the rights of the Registered Owners of the Bonds may be modified with, in certain circumstances, the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds affected thereby; provided, however, that, without the consent of the Registered Owners of all of the Bonds affected, no such modification shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of

the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

**THIS BOND** shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Order unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated as evidenced by execution of the authentication certificate endorsed hereon by the Registrar.

**IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED** that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

**IT IS FURTHER CERTIFIED** that the District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

**IN WITNESS WHEREOF**, the District has caused this Bond to be signed with the manual or facsimile signature of the President or Vice-President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the Board of Directors of the District, and has caused the official seal of the District to be duly impressed, or placed in facsimile, on this Bond.

**MOORE'S CROSSING MUNICIPAL  
UTILITY DISTRICT**

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

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

(SEAL)

**SECTION 6.02. REGISTRATION OF INITIAL BOND BY STATE  
COMPTROLLER AND CERTIFICATE.** The Initial Bond shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law. The registration certificate of the



Comptroller of Public Accounts of the State of Texas shall be printed on the face of the Initial Bond and shall be in substantially the following form:

**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 the State 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

(COMPTROLLER'S SEAL)

**SECTION 6.03. FORM OF AUTHENTICATION CERTIFICATE.** The following form of authentication certificate shall be printed on the face of each of the Bonds other than the Initial Bond:

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**  
**(To be executed if this Bond is not accompanied by an**  
**executed Registration Certificate of the Comptroller**  
**of Public Accounts of the State of Texas)**

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated:

\_\_\_\_\_  
Registrar

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

**SECTION 6.04. FORM OF ASSIGNMENT.** A form of assignment shall be printed on the back of each of the Bonds and shall be in substantially the following form:

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
Please insert Social Security or Taxpayer  
Identification Number of Transferee

\_\_\_\_\_  
(Please print or typewrite name and address,  
including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints  
\_\_\_\_\_, attorney, to register the transfer of the within  
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 a member firm of  
the New York Stock Exchange or  
a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: The signature above  
must correspond with the name  
of the Registered Owner as it  
appears upon the front of this  
Bond in every particular, with-  
out alteration or enlargement  
or any change whatsoever.

#### **INSERTIONS FOR THE INITIAL BOND**

The Initial Bond shall be in the form set forth above, except that:

- A. 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 "CUSIP NO." shall be deleted.
- B. the first paragraph shall be deleted and the following will be inserted:

**"ON THE MATURITY DATE SPECIFIED BELOW, the Moore's Crossing Municipal**

Utility District (the "District"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on September 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Year of</u> <u>Maturity</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
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(Information from Section 3.03 to be inserted)

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from \_\_\_\_\_, 20\_\_\* at the respective Interest Rate per annum specified above. Interest is payable on \_\_\_\_\_, 20\_\_\* and semiannually on each March 1 and September 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The Initial Bond shall be numbered "T-1."

**SECTION 6.05. CUSIP REGISTRATION.** The President of the Board of Directors may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau.

**SECTION 6.06. LEGAL OPINION AND BOND INSURANCE.** The approving opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, may be printed on the back of the Bonds over the certification of the Secretary or Assistant Secretary of the Board of Directors which may be executed in facsimile. In addition, if any bond insurance is obtained, any statement of insurance may be placed on the Bonds.

## **ARTICLE SEVEN**

### **SECURITY OF THE BONDS**

**SECTION 7.01. SECURITY OF BONDS.** The Bonds are secured by and payable from the levy of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District.

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\*To be completed closer to pricing.

**SECTION 7.02. LEVY OF TAX.** (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property in the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Series 2011\* Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with revenues and receipts from other sources that are legally available for such purpose, shall be levied and collected and applied to the payment of principal and interest on the Bonds, as follows:

- (1) By September 1 in each year, or as soon thereafter as practicable, the Board shall consider the taxable property in the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the District.
- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
  - (i) the amount which should be levied for maintenance and operation purposes and for any other obligations;
  - (ii) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes;
  - (iii) the amount which should be levied for the purpose of paying all other contractual obligations of the District payable in whole or in part from taxes; and
  - (iv) the percentage of anticipated tax collections and the cost of collecting the taxes.
- (3) In determining the amount of taxes which should be levied each year, the Board shall consider whether proceeds from the sale of Bonds have been placed in the Series 2011\* Debt Service Fund to pay interest on the Bonds and whether the Board reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

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\*Series designation will be changed as necessary to reflect year of issuance.

(b) Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of ad valorem taxes granted by the District under this Bond Order, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of ad valorem taxes granted by the District under this Bond Order is to be subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9 of the Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

**SECTION 7.03. PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.** The District covenants to pay promptly the principal of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Bond Order, and to keep and perform faithfully all of its covenants, undertakings, and agreements contained in this Bond Order, or in any Bond executed, authenticated, and delivered hereunder.

**SECTION 7.04. CONSOLIDATION OR DISSOLUTION OF DISTRICT.** To the extent provided by law, the pledge of taxes set forth in Section 7.02 will terminate if the City takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

(i) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(ii) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(iii) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

## **ARTICLE EIGHT**

## **FLOW OF FUNDS AND INVESTMENTS**

**SECTION 8.01. CREATION OF FUNDS.** The Series 2011\* Debt Service Fund, the Operating Fund, and the Series 2011\* Capital Projects Fund are hereby created or confirmed. Each fund shall be kept separate and apart from all other funds of the District. The Series 2011\* Debt Service Fund shall constitute a trust fund which shall be held in trust by the District for the benefit of the holders of the Bonds. All other funds shall be used solely as provided in this Bond Order until all of the Bonds have been retired, both as to principal and interest.

**SECTION 8.02. OPERATING FUND.** The Operating Fund shall comprise the fund of the District for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of the System unless derived from contracts with other persons, including private corporations, municipalities, and political subdivisions which, under the terms of the authorizing orders, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts, and the District may deposit to the credit of the Operating Fund such other income or receipts of the District not otherwise required to be applied by this Order. The Operating Fund shall be used solely to (i) pay all reasonable expenses of the administration, efficient operation, and adequate maintenance of the System, (ii) transfer from time to time any excess to the credit of the Series 2011\* Debt Service Fund when needed to pay the obligations of the District payable therefrom, and (iii) to the extent the balance of the Series 2011\* Debt Service Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Series 2011\* Debt Service Fund, to pay any other lawful expense of the District.

**SECTION 8.03 CAPITAL PROJECTS FUND.** The Series 2011\* Capital Projects Fund shall comprise the capital improvements fund of the District. The District shall deposit to the credit of the Series 2011\* Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Series 2011\* Debt Service Fund provided in Section 9.02 of this Order. The Series 2011\* Capital Projects Fund shall be applied solely to pay (i) the costs necessary or appropriate to accomplish such of the purposes for which the Bonds are issued as approved by the Commission with any surplus proceeds applied in accordance with the Bond Election and subject to the Commission's further approval or as authorized by Commission rules and (ii) the costs of issuing the Bonds. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Series 2011\* Capital Projects Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 3.01 of this Order any interest earnings remaining on hand shall be deposited in the Series 2011\* Debt Service Fund.

**SECTION 8.04 SECURITY OF FUNDS.** Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

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\*Series designation will be changed as necessary to reflect year of issuance.

**SECTION 8.05. DEBT SERVICE FUND; TAX LEVY.** The District shall deposit or cause to be deposited into the Series 2011\* Debt Service Fund the aggregate of the following at the time specified:

- (a) As soon as practicable after the Bonds are sold, accrued interest on the Bonds from their date to the date of their delivery and capitalized interest on the Bonds; and
- (b) The proceeds from collection of the ad valorem taxes levied, assessed and collected for and on account of the Bonds pursuant to Section 7.02 hereof, less costs of collection, as collected.

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 with the current year, a continuing, direct annual ad valorem tax upon all taxable property in the District sufficient to pay the current interest on the Bonds as the same becomes due, 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. On or before the date for payment of the principal and/or Interest Payment Date on the Bonds, the Board of Directors shall cause the transfer of moneys out of the Series 2011\* Debt Service Fund to the Registrar in an amount not less than that which is sufficient to pay the principal which matures on such date and the interest which accrues on such date. The District shall pay fees and charges of the Registrar for its services as paying agent and registrar for the Bonds from the Series 2011\* Debt Service Fund.

**SECTION 8.06. INVESTMENTS; EARNINGS.** Moneys deposited into the Series 2011\* Debt Service Fund, the Operating Fund and the Series 2011\* Capital Projects Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Series 2011\* Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

## **ARTICLE NINE**

### **APPLICATION OF BOND PROCEEDS**

**SECTION 9.01. BOND PROCEEDS.** Proceeds from the sale of the Bonds will be disbursed in accordance with this Article.

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\*Series designation will be changed as necessary to reflect year of issuance.

**SECTION 9.02. ACCRUED AND CAPITALIZED INTEREST.** Moneys received from the purchaser of the Bonds representing accrued interest on the Bonds from their date to the date of their actual delivery shall be deposited into the Series 2011\* Debt Service Fund. In addition, proceeds of the Bonds representing capitalized interest shall be deposited into the Series 2011\* Debt Service Fund.

**SECTION 9.03. CAPITAL PROJECTS FUND.** Proceeds of the Bonds necessary to complete the purposes set forth in Section 3.01 herein and to pay the costs of issuance of the Bonds shall be deposited in the Series 2011\* Capital Projects Fund. Any surplus bond proceeds after completion of the projects authorized in the Commission Order, shall be deposited into the Series 2011\* Debt Service Fund or shall be subject to approval by the Commission in accordance with the Commission rules and the Bond Election.

## **ARTICLE TEN**

### **PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION**

**SECTION 10.01. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.** (a) Covenants. The District covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the District, with respect to such private business use, do not, under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local

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\*Series designation will be changed as necessary to reflect year of issuance.



governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the District for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the

Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President or Vice-President to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. This Bond Order is intended to satisfy the official intent requirements set forth in Section 1.150-2 of the Treasury Regulations.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The District covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 3.01 of this Bond Order (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The District recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the District recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The District agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The District covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Designation as Qualified Tax-Exempt Bonds. The District hereby designates the Bonds as "qualified tax-exempt bonds" as defined in section 265(b)(3) of the Code. In furtherance of such

designation, the District represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the District will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

## **ARTICLE ELEVEN**

### **ADDITIONAL BONDS AND REFUNDING BONDS**

**SECTION 11.01. ADDITIONAL BONDS.** The District expressly reserves the right to issue, in one or more installments, for the purpose of purchasing, constructing, acquiring, owning, operating, maintaining, repairing, improving, or extending the System, or for any other lawful purpose:

- (a) the unissued unlimited tax bonds which were authorized pursuant to the Bond Election; and
- (b) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

**SECTION 11.02. OTHER BONDS AND OBLIGATIONS.** The District further reserves the right to issue combination unlimited tax and revenue bonds, if authorized by election, and such other bonds or other obligations as may be lawfully issued by the District including any obligations issued for special projects or defined areas.

**SECTION 11.03. REFUNDING BONDS.** The District further reserves the right to issue refunding bonds in any manner permitted by law to refund the Bonds, and any Outstanding Bonds, any Additional Bonds, or any other obligations issued by the District, at or prior to their respective dates of maturity or redemption.

## **ARTICLE TWELVE** **DEFAULT PROVISIONS**

**SECTION 12.01. REMEDIES IN EVENT OF DEFAULT.** (a) Each of the following occurrences or events for the purpose of this Bond Order is hereby declared to be an Event of Default:

- (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Bond Order, and, if such default is capable of cure, the continuation thereof for a period of sixty (60) days after notice of such default is given by any Registered Owner to the District.

(b) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the District, or any official, officer or employee of the District in its official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Bond Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then Outstanding.

(c) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Bond Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Bond Order.

The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy. By accepting the delivery of a Bond authorized under this Bond Order, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Bond Order do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the District or the Board of Directors. None of the members of the Board of Directors, nor any other official or officer, agent, or employee of the District, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Bond Order, or because of any Event of Default or alleged Event of Default under this Bond Order.

**SECTION 12.02. BOND ORDER IS CONTRACT.** In consideration of the purchase and acceptance of the Bonds authorized to be issued hereunder by the Registered Owners, the provisions of this Bond Order shall be deemed to be and shall constitute a contract between the District and the Registered Owners; and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal benefit, protection, and security of each of the Registered Owners. The Bonds, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any Bond over any other, except as expressly provided herein.

### **ARTICLE THIRTEEN**

## DISCHARGE BY DEPOSIT

**SECTION 13.01. DEFEASANCE OF BONDS.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or commercial bank or trust company for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or commercial bank or trust company for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar or commercial bank or trust company as provided in this Section may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or commercial bank or trust company pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

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

(d) Notwithstanding anything elsewhere in this Order, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each

Bond affected thereby.

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

## **ARTICLE FOURTEEN**

### **MISCELLANEOUS PROVISIONS**

**SECTION 14.01. DISTRICT'S SUCCESSORS AND ASSIGNS.** Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order 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.

**SECTION 14.02. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS.** No covenant or agreement contained in the Bonds, this Bond Order or any corollary instrument shall be deemed to be the covenant or agreement of any member of the Board or any officer, agent, employee or representative of the Board in his individual capacity, and neither the directors, officers, agents, employees or representatives of the Board nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds..

**SECTION 14.03. REGISTRAR.** The Registrar shall act as agent for the payment of principal of and interest on the Bonds and shall maintain the Register for the Bonds, all in accordance with the terms of this Bond Order. If the Registrar or its successor becomes unable for any reason to act as Registrar hereunder, or if the Board of Directors of the District determines that a successor Registrar should be appointed, a successor Registrar shall be selected by the District. Any successor Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

**SECTION 14.04. REGISTRAR MAY OWN BONDS.** The Registrar, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Registrar.

**SECTION 14.05. BENEFITS OF PROVISIONS.** Nothing in this Bond Order 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 Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

**SECTION 14.06. UNAVAILABILITY OF AUTHORIZED PUBLICATION.** If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Bond Order shall be given in such other manner and at such time or times as in the judgment of the District shall most effectively approximate such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Order be deemed to be in compliance with the requirements for publication thereof.

**SECTION 14.07. SEVERABILITY CLAUSE.** If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, 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 Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

**SECTION 14.08. ACCOUNTING.** The District will keep proper records and accounts regarding the levy and collection of taxes, which records and accounts will be made available to any Registered Owner on reasonable request. Each year while any of the Bonds are outstanding, the District shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be made available to any Registered Owner upon request.

## **ARTICLE FIFTEEN**

### **SALE AND DELIVERY OF BONDS AND APPROVAL OF DOCUMENTS**

**SECTION 15.01. SALE OF BONDS.** The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to \_\_\_\_\_ (the "Initial Purchaser") at a price of \_\_\_\_\_% of the par amount (\$\_\_\_\_\_) plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended, is \_\_\_\_\_% which rate is not more than two (2) percent above the highest average interest rate reported by the "Daily Bond Buyer" in its weekly "Bond Index" during the one month period preceding \_\_\_\_\_, 2011\*. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable and that the Initial Purchaser's sealed bid produced the lowest

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\*To be completed closer to pricing.

net effective interest rate to the District as required by Section 49.183 of the Texas Water Code. The Initial Bond shall be registered in the name of the Initial Purchaser.

**SECTION 15.02. APPROVAL, REGISTRATION, AND DELIVERY.** The President or Vice-President of the Board of Directors of the District and representatives of McCall, Parkhurst & Horton L.L.P. are hereby authorized and directed to submit the Initial Bond and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bond to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bond, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on the Initial Bond, and the seal of the Comptroller shall be impressed or placed in facsimile on the Initial Bond. After the Initial Bond has been registered, signed, and sealed by the Comptroller, it shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price.

**SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS AND PAYING AGENT/REGISTRAR AGREEMENT.** A "Notice of Sale and Bidding Instructions", an "Official Bid Form", and an "Preliminary Official Statement", dated \_\_\_\_\_, 2011\*, were prepared and distributed in connection with the sale of the Bonds (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use in the offer and sale of the Bonds is hereby approved.

The Paying Agent/Registrar Agreement by and between the District and \_\_\_\_\_, \_\_\_\_\_, Texas ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "A" is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement, as necessary.

## **ARTICLE SIXTEEN**

### **OPEN MEETING AND EFFECTIVE DATE**

**SECTION 16.01. OPEN MEETING.** The Board of Directors officially finds, determines, and declares that this Bond Order was reviewed, carefully considered, and adopted at a meeting of the Board, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted as required by the Open Meetings Act, Chapter 551 of the Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Bond Order and the subject matter hereof has been discussed, considered, and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

**SECTION 16.02. EFFECTIVE DATE OF BOND ORDER.** This Bond Order shall

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\*To be completed closer to pricing.



take effect and be in full force and effect upon and after its passage.

## **ARTICLE SEVENTEEN**

### **AMENDMENTS**

**SECTION 17.01. AMENDMENTS.** (a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the right from time to time to approve any amendment to this Bond Order which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 17.01, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Order or the Bonds so as to:

- (1) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (2) reduce the rate of interest borne by any of the outstanding Bonds;
- (3) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (4) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;
- (5) affect the right of the Registered Owners of less than all of the Bonds then outstanding;  
or
- (6) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Order it may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein, then such publication in lieu thereof as shall be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Register maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all Registered Owners of Bonds.

(c) Consent to Amendment. Whenever at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other services of written notice the District shall receive an instrument or instruments executed by the Registered Owners of at least 51% in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and shall specifically consent to and approve such amendment, the District may adopt the amendatory resolution or order in substantially the same form.

(d) Effect of Amendment. Upon the adoption of any amendatory resolution or order pursuant to the provisions of this Section, this Bond Order shall be deemed to be amended in accordance with such amendatory resolution or order, and the respective rights, duties, and obligations under such amendatory resolution or order of all the Registered Owners shall thereafter be determined and exercised subject in all respects to such amendments.

(e) Consent of Registered Owners. Any consent given by a Registered Owners pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the Bonds during such period. Such consent may be revoked by the Registered Owner who gave such consent at any time after six months from the date of the first giving of such notice, or by a successor in title, by filing notice thereof with the Registrar and the District, but such revocation shall not be effective if the Registered Owners of 51% in aggregate principal amount of the then outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (f) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners. The District may, at any time, amend this Bond Order to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of the Registered Owners, provided that no such amendment shall be made contrary to the provision to Section 17.01 (a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

## **ARTICLE EIGHTEEN**

### **CONTINUING DISCLOSURE UNDERTAKING**

**SECTION 18.01. CONTINUING DISCLOSURE UNDERTAKING.** (a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 15.03 of this Order, being the information described in the Pricing Certificate. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "B" hereto, 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 District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such

period, then the District shall provide unaudited financial statements within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If the District changes its fiscal year, the District will notify the MSRB 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 subsection may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this subsection shall be accompanied by identifying information as prescribed by the MSRB.

(b) Material Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, 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 within the meaning of the federal securities laws;
- 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 within the meaning of the federal securities laws;
- H. Bond calls, if material within the meaning of the federal securities laws;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- K. Rating changes;

L. Bankruptcy, insolvency, receivership or similar event of the District;

M. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and

N. Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with this subsection by the time required. All documents provided to the MSRB pursuant to this subsection shall be accompanied by identifying information as prescribed by the MSRB.

(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 this Order of any Bond calls and defeasance that cause the Bonds to be no longer outstanding.

The provisions of this Section are for the sole benefit of the holders 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 that 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 relating to the Financing System 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 HOLDER 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 Order for purposes of any other provision of this Order.

Should the Rule be amended to obligate the District to make filings with or provide notices

to entities other than the MSRB, the District hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

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 (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 (2) either (A) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (B) 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 holders and beneficial owners of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section 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 amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

## **ARTICLE NINETEEN**

### **OTHER ACTIONS**

**SECTION 19.01. OTHER ACTIONS.** The President or Vice President and Secretary or Assistant Secretary of the Board of Directors of the District and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the sale of the Bonds and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and Secretary or Assistant Secretary of the Board of Directors of the District, the District's Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Bond Order or to any of the instruments authorized and approved by this Bond Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Bond Order and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of the bond insurer, if any, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

**SECTION 19.02. PAYMENT OF ATTORNEY GENERAL FEE.** The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

**EXHIBIT "A"**

**PAYING AGENT/REGISTRAR AGREEMENT**

## **PAYING AGENT/REGISTRAR AGREEMENT**

**AGREEMENT** entered into as of \_\_\_\_\_, 20\_\_ (this "Agreement"), by and between \_\_\_\_\_, a national association, duly organized and operating under the laws of the United States of America (the "Bank") and the **Moore's Crossing Municipal Utility District**, a municipal utility district organized and existing under the Constitution and laws of the State of Texas (the "Issuer").

### **RECITALS**

**WHEREAS**, the Issuer has duly authorized and provided for the issuance of its securities to be issued only in registered form, as to the payment of principal and interest thereon in an aggregate principal amount of \$ \_\_\_\_\_ and titled **Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series \_\_\_\_** (the "Securities"); and

**WHEREAS**, all things necessary to make the securities the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof; and

**WHEREAS**, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

**WHEREAS**, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar of the Securities;

**NOW THEREFORE**, it is mutually agreed as follows:

### **ARTICLE ONE**

#### **APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

**Section 1.01. Appointment** The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities, to pay to the registered owners of the Securities the principal, premium, if any, and interest on the Securities as the same become due and payable to the registered owners thereof; all in accordance with this Agreement and the Resolution (hereinafter defined).

The Issuer hereby appoints the Bank to serve as Registrar with respect to the Securities and, as Registrar of the Securities, the Bank shall keep and maintain for and on behalf of the Issuer, books and records as to the ownership of said Securities and with respect to the transfer and exchange of said Securities as provided herein and in the Resolution.

The Bank hereby accepts its appointment, and agrees to serve as, the Paying Agent and Registrar for the Securities.



**Section 1.02. Compensation.** As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## **ARTICLE TWO**

### **DEFINITIONS**

**Section 2.01. Definitions.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the office of the Bank as indicated on the signature page to this Agreement. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer ending September 30 of each year.

"Holder" and "Security Holder" each mean a Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by an officer of the governing body of the Issuer or such other person named, or appointed by virtue of holding a particular position with the Issuer, in the Resolution as authorized to sign, and delivered to the Bank

"Person" 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.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any Security registered and delivered under Section 4.06 in lieu of a mutilated, lost, destroyed or stolen Security shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Security.

"Record Date" means the Record Date as defined in the Resolution.

"Redemption Date" when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Resolution.

"Resolution" means the resolution or order adopted by the governing body of the Issuer authorizing the issuance of the Securities.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, the Assistant Secretary, the Treasurer, and Assistant Treasurer, the Cashier, and Assistant Cashier, and Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Securities" means the securities defined in the recital paragraphs herein.

"Security Register" means the books and records to be maintained by the Bank on behalf of the Issuer relating to the registration, transfer, exchange, and payment of the Securities.

"Stated Maturity" means the date specified in the Resolution as the fixed date on which the principal of the Security is scheduled to be due and payable.

**Section 2.02. Other Definitions.** The terms "Bank," "Issuer" and "Security" have the meaning assigned to them in the recital paragraphs of this Agreement, which are incorporated into this Agreement.

The term "Paying Agent/Registrar" refers to the Bank when it is performing the functions associated with such terms in this Agreement.

**Section 2.03. Construction of Terms.** If appropriate in the context of this Agreement, words of the singular shall be considered to include the plural, words of the plural shall be considered to include the singular, and words of the masculine, feminine, or neuter gender shall be considered to include the other genders.

## **ARTICLE THREE**

### **PAYING AGENT**

**Section 3.01. Duties of Paying Agent.** As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interests on each Security when due in accordance with the Resolution. The Bank shall compute the amount of interest to be paid each Holder, and shall prepare and send a check in such amount by United States mail (first class postage prepaid) on or prior to each interest payment date, to the Holder of each Security (or Predecessor Securities) whose name appears in the Security Register on the Record Date. Such checks shall be mailed in such manner to such Holder the address for each such Holder appearing on the Security Register, or shall be transmitted to such Holder on each interest payment date by such other method acceptable to the Bank, requested in writing by, and at the risk and expense of the Holder.

**Section 3.02. Payment Dates.** The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Resolution. The Issuer agrees to transfer or to cause to be transferred, in immediately available funds, to the Bank to pay principal and/or interest, either or both, by no later than 10:00 a.m. on the payment dates.

**Section 3.03. Reporting Requirements.** To the extent required by the Internal Revenue Code of 1986, as amended, or the Treasury Regulations, the Bank shall report to or cause to be reported to the Holders and the Internal Revenue Service the amount of interest paid or the amount treated as interest accrued on the Securities which is required to be reported by the Holders on their returns of federal income tax.

## **ARTICLE FOUR**

### **REGISTRAR**

**Section 4.01. Transfer and Exchange.** The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office, books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holder of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulation as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register.

Every Security certificate surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument or transfer, the signature on which has been guaranteed by an office of a bank, trust company or a member of the Financial Industry Regulatory Authority, in form satisfactory to the Bank, duly executed by the Holder or his attorney duly authorized in writing.

As a condition to effecting a re-registration, transfer or exchange of the Securities, the Registrar may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities. To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof shall be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be canceled in and exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**Section 4.02. Certificates.** The Issuer shall provide the Registrar with an adequate inventory of Securities certificates to facilitate transfers. The Bank covenants that it will maintain the Securities certificates in safekeeping and will use reasonable care in maintaining such Securities certificates in safekeeping, which shall be not less than the level of care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own securities.

**Section 4.03. Form of Security Register.** The Bank, as Registrar, will maintain the records of the Security Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilized at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.** The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Security Register to any Person other than to, or at the written request of, an authorized officer or employee of the Issuer as specified in an Issuer Order, or as otherwise required by law. Upon receipt of a subpoena or court order or other legal proceedings, the Bank will notify the Issuer so that the Issuer may contest the same.

**Section 4.05. Return of Canceled Certificates.** The bank will destroy all canceled Securities pursuant to the Securities Exchange Act of 1934.

**Section 4.06. Mutilated, Destroyed, Lost, or Stolen Securities Certificates.** The Issuer hereby instructs the Bank to deliver and issue Securities certificates in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities certificates as long as the same does not result in an over issuance.

The Bank will issue and deliver a new Security certificate in exchange for a mutilated Security certificate surrendered to it. The Bank will issue a new Security certificate in lieu of a Security certificate for which it received written representation from the Holder that the certificate representing such Security is destroyed, lost, or stolen; without the surrender or production of the original certificate. The Bank will pay on behalf of the Issuer the unpaid principal and premium, if any, of a Security at the Stated Maturity or on the Redemption Date or Acceleration Date, for which it receives written representation that the certificate representing such Security is destroyed, lost, or stolen without the surrender or production of the original certificate.

The Bank will not issue a replacement Security certificate or pay such replacement Security certificate unless there is delivered to the Bank such security or indemnity as it may require (which may be by the Bank's Blanket Lost Original Instruments Bond) to save both the Bank and the Issuer harmless.

On satisfaction of the Bank and the Issuer that a Security certificate has been mutilated, destroyed, lost, or stolen, the certificate number on the mutilated, destroyed, lost, or stolen Security certificate will be canceled with a notation that it has been mutilated, destroyed, lost or stolen and a new Security certificate will be issued of the same series and of like tenor and principal amount bearing a number (according to the Security Register) not contemporaneously outstanding.

The Bank may charge the Holder the Bank's fees and expenses in connection with issuing a new Security certificate in lieu of or exchange for a mutilated, destroyed, lost, or stolen Security certificate.

The Issuer hereby accepts the Bank's current Blanket Lost Original Instrument Bond for lost, stolen, or destroyed certificates and any future substitute bond for lost, stolen, or destroyed certificates that the Bank may arrange; and agrees that the coverage under any such bond is acceptable to it and meets the Issuer's requirements as to security or indemnity. The Bank need not notify the Issuer of any changes in the security or other company giving such bond or the terms of such bond. At any time the Bank is customarily open for business, the Blanket Lost Original Instrument Bond then utilized for the purpose of lost, stolen, or destroyed certificates by the Bank shall be available for inspection by the Issuer on request. The Issuer hereby accepts the Bank's indemnity to replace Security certificates destroyed or lost while in the possession or under the control of the Bank

**Section 4.07. Transaction Information to Issuer.** The Bank will, within a reasonable time after receipt of an Issuer Request; furnish the Issuer information as to the Securities it has paid pursuant to 3.01, Security certificates it has delivered upon the transfer or exchange of any Security certificates pursuant to Section 4.01, and Security certificates it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Security certificates pursuant to Section 4.06.

## **ARTICLE FIVE**

### **THE BANK**

**Section 5.01. Duties of the Bank.** The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

**Section 5.02. Reliance on Documents, Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates of opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved in a court of competent jurisdiction that the Bank was negligent in ascertaining the pertinent facts.

(c) No provision of the Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not assured to it.

(d) The Bank may rely and shall be protected by the Issuer against any claim by the Issuer or any other Person in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of Securities, but is protected in acting upon receipt of a Security certificate containing an endorsement of instruction of transfer or power of transfer which appears on its face to be signed by the Holder or any agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

(e) The Bank may consult with legal counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance therein; provided that any such written advice or opinion is supplied to the Issuer by the Bank.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**Section 5.03. Recitals of Issuer.** The recitals contained herein other than any recital relating to the power and authority of the Bank under the Agreement and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder of any Security or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent; provided that such dealings do not result in a breach of any duties or agreements imposed by this Agreement or a violation of State law.

**Section 5.05. Moneys Held by the Bank.** Funds held by the Bank hereunder need not be segregated from any other funds provided appropriate accounts are maintained in the name and for the benefit of the Issuer.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the provisions of Title 6 of the Texas Property Code, any money deposited with the Bank for the payment of the principal, premium, if any, or interest on any Security and remaining unclaimed for three (3) years following the stated maturity, shall, except as otherwise directed by the Issuer, upon Issuer Order, be returned to the Issuer by the Bank. The Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such money shall thereupon cease.

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a trust account for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation, to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

**Section 5.06. Indemnification.** To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability or expense incurred by the Bank without negligence or bad faith on the Bank's part, arising out of or in connection with its acceptance or administration of the Bank's duties hereunder, including the cost and expense (including the Bank's counsel fees) of defending against any claim or liability in connection with the exercise or performance of any of the Bank's powers or duties under this Agreement.

**Section 5.07. Interpleader.** The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on

deposit, in either a Federal or State Court located in the State of Texas and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Services.** It is hereby represented and warranted that, in the event other Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the operational arrangements, which established requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

## **ARTICLE SIX**

### **MISCELLANEOUS PROVISIONS**

**Section 6.01. Amendment.** This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. Assignment.** This Agreement may not be assigned by either party without the prior written consent of the other.

**Section 6.03. Notices.** Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the address shown on the signature pages of this Agreement.

**Section 6.04. Effect of Headings.** The Article and Section headings herein are for convenience only and shall not effect the construction hereof.

**Section 6.05. Successors and Assigns.** All covenants and agreements herein by the Issuer and the Bank shall bind their respective successors and assigns, whether so expressed or not.

**Section 6.06. Severability.** In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be effected or impaired thereby.

**Section 6.07. Benefits of Agreement.** Nothing herein, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.



**Section 6.08. Entire Agreement.** This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar; and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern.

**Section 6.09. Counterparts.** This Agreement may be executed in any number of counterparts, each which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.10. Termination.** This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon thirty (30) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive, and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first above written.

**MOORE'S CROSSING MUNICIPAL  
UTILITY DISTRICT**

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_

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

Mailing Address:

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

## Schedule A

## **EXHIBIT "B"**

### **CONTINUING DISCLOSURE**

1. See Tables 1 through 12 in the Official Statement.
2. See Appendix A in the Official Statement.

#### **Accounting Principles**

The accounting and reporting policies of the District relating to the funds and account groups will conform to generally accepted accounting principles (GAAP) as applied to governmental entities.

# EXHIBIT 2

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2011

3<sup>rd</sup> Draft  
6.29.11

## NEW ISSUE-BOOK-ENTRY-ONLY

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

THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions"

\$2,000,000

**MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT**  
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

## UNLIMITED TAX BONDS, SERIES 2011

**Dated: May 1, 2011**

**Due: September 1, as shown below**

Interest on the Bonds will accrue from May 1, 2011 and is payable September 1, 2011 and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company New York, New York, ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas ("the Paying Agent"). The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.

## MATURITIES (Due September 1)

Due	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Number (c)	Due	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Number (c)
2012	\$ 25,000	____%	____%	_____	2022*	\$ 100,000	____%	____%	_____
2013	25,000	____%	____%	_____	2023*	100,000	____%	____%	_____
2014	50,000	____%	____%	_____	2024*	125,000	____%	____%	_____
2015	50,000	____%	____%	_____	2025*	125,000	____%	____%	_____
2016	50,000	____%	____%	_____	2026*	125,000	____%	____%	_____
2017	50,000	____%	____%	_____	2027*	150,000	____%	____%	_____
2018*	75,000	____%	____%	_____	2028*	150,000	____%	____%	_____
2019*	75,000	____%	____%	_____	2029*	175,000	____%	____%	_____
2020*	75,000	____%	____%	_____	2030*	175,000	____%	____%	_____
2021*	100,000	____%	____%	_____	2031*	200,000	____%	____%	_____

\* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2018 in whole or from time to time in part, on September 1, 2017, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing on September 1 in the years \_\_\_\_ and \_\_\_\_ are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of \_\_\_\_% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of \_\_\_\_%. See "SALE AND DISTRIBUTION OF THE BONDS."

(b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from May 1, 2011 to the date of delivery of the Bonds to the Initial Purchaser is to be added to the price paid by the Initial Purchaser.

(c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Initial Purchaser, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of and Security for Payment." THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about \_\_\_\_\_, 2011 in Austin, Texas.

**Bids Due: \_\_\_\_\_, 2011 at \_\_\_\_\_ A.M., C.S.T.**  
**at 701 Brazos, Suite 400, Austin, Texas 78701**  
**Award Expected: 11:30 A.M., C.S.T.**

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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 alone 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, contracts, records, 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, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed (a) to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in the Official Notice of Sale under the caption "OFFICIAL STATEMENT-Changes to the Official Statement During Underwriting Period" and (b) to provide ongoing disclosure only as described under the caption "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of \_\_\_\_\_% of par plus accrued interest to the date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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



**Securities Laws**

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

**MUNICIPAL BOND RATINGS AND INSURANCE**

No application has been made to a rating service or municipal bond insurance company, nor is it expected that the District would have been successful in obtaining an investment grade rating or bond insurance commitment had such applications been made.

*[The remainder of this page intentionally left blank]*

## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### The District

The District.....	Moore's Crossing Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") adopted on June 17, 1987, and a confirmation election held within the District on November 3, 1987, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage facilities to serve approximately 838.48 acres within its boundaries, all of which lie within Travis County and within the limited purpose jurisdiction of the City of Austin. See "THE DISTRICT – General."
Location.....	The District is located in southeastern Travis County approximately eight miles south-southeast of the City of Austin's central business district and is situated immediately southeast of Austin-Bergstrom International Airport. Access to the District is provided by Interstate Highway 35 and Burleson Road via Elroy Road. See "LOCATION MAP" and "THE DISTRICT - Location."
The Developer.....	Land within the District is being developed by SR Development (the "Developer"). See "THE DEVELOPER."
Status of Development.....	The District contains 838.48 acres, of which approximately 645.70 acres are developable. As of January 15, 2011, approximately 192.40 acres (or approximately 27.70% of the developable acreage) has been developed as 813 single family lots and an approximately 17 acre school site. Development within the District as January 15, 2011 included 730 completed single family homes, 0 homes under construction, and 83 developed vacant single family lots located within the residential subdivision of Moore's Crossing Stoncy Ridge, Phase A Sections 2, 3A, 3B, 3C, 5A, 5B, 6 and Phase B Sections 1 and 2. The District also contains a Del Valle Independent School District elementary school (approximately 17.10 acres) which opened in the fall of 1999. The Developer expects the remaining 453.30 developable acres to be developed as single family, multi family, industrial and retail improvements. See "THE DISTRICT – Historical and Current Status of Development" and "Future Development."
Builder.....	The homebuilders currently active within the District are Lennar Homes of Texas, Inc. ("Lennar") and Luxor Homes of Texas ("Luxor"). The Developer has represented that the sales price of homes being constructed generally range from approximately \$108,000 to \$165,000, with square footage ranging from approximately 960 to 2,300. See "THE DISTRICT – Homebuilders."

### The Bonds

Description.....	The Bonds in the aggregate principal amount of \$2,000,000 mature serially in varying amounts on September 1 of each year from 2012 through 2031 as set forth on the cover page hereof. Interest accrues from May 1, 2011 at the rates per annum set forth on the cover page hereof and is payable September 1, 2011 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption .....	Bonds maturing on September 1 in the years 2018 through 2031, inclusive, are subject to redemption in whole or from time to time in part at the option of the District on September 1, 2017, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. The Bonds maturing September 1, in the years ____ and ____ are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." <b>The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record.....	The Bonds constitute the fourth installment of new money bonds issued by the District. The District has also issued one series of refunding bonds. The District has made timely payment on its Unlimited Tax Bonds, Series 1998; Unlimited Tax Bonds, Series 2003; Unlimited Tax Refunding Bonds Series 2004; and Unlimited Tax Bonds, Series 2005 (collectively, the "Outstanding Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds."
Authority for Issuance .....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the Act, and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 3, 1987, approving the issuance of bonds; the approving Order of the Texas Commission on Environmental Quality ( the "Commission" or "TCEQ"); and a resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	<p>The proceeds of the Bonds will be used to finance the District's share of the following projects: (i) Stoney Ridge Phase B, North detention pond; and (ii) water distribution, wastewater collection, and storm drainage facilities serving Stoney Ridge Phase B, Section 2.</p> <p>Additionally, bond proceeds will be used to pay : i) engineering fees associated with a portion of the above construction projects; ii) developer interest accrued on a portion of the above projects; iii) approximately twenty-four months of capitalized interest; and iv) certain costs associated with the issuance of the Bonds.</p>
Bonds Authorized But Unissued.....	At an election held within the District on November 3, 1987 voters within the District authorized a total of \$32,000,000 in bonds. After the sale of the Bonds, \$23,905,000 in bonds will remain authorized but unissued. See "FINANCIAL STATEMENT - Outstanding Bonds"; "Unlimited Tax Bonds Authorized but Unissued"; and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Insurance.....	In connection with the sale of the Bonds, the District has not applied for a rating or a municipal bond insurance commitment on the Bonds, nor is it expected that an investment grade rating or municipal bond insurance commitment would have been received had an applications been made.
Qualified Tax-Exempt Obligations .....	The District is expected to designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2011 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions."
Bond Counsel and Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
General Counsel .....	Armbrust & Brown, PLLC, Austin, Texas.
Financial Advisor .....	Southwest Securities, Austin, Texas.
Engineer .....	Schroeder Engineering Company, Austin, Texas.

#### RISK FACTORS

The purchase and ownership of the Bonds involve certain risk factors and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "RISK FACTORS."

**SELECTED FINANCIAL INFORMATION**  
(Unaudited as of \_\_\_\_\_, 2011)

2010 Certified Assessed Valuation.....	\$70,592,034	(a)
Estimated Assessed Valuation as of January 15, 2011 .....	\$73,647,873	(b)
Gross Debt Outstanding (after issuance of the Bonds)		
District Debt.....	\$6,760,000	(c)
Ratio of Gross Debt to 2010 Certified Assessed Valuation.....	9.58%	
Ratio of Gross Debt to Estimated Assessed Valuation as of January 15, 2011.....	9.18%	
2010 Tax Rate		
Debt Service.....	\$0.5939	
Maintenance & Operation .....	\$0.3161	
Total.....	<u>\$0.9100</u>	(d)
Debt Service Fund Balance (as of January 18, 2011).....	\$490,234	(e)
Average percentage of current tax collections - Tax Years 1997-2009 .....	99.28%	(f)
Average percentage of total tax collections - Tax Years 1997-2009 .....	99.67%	(f)
Projected Average Annual Debt Service Requirement (2012-2027) of the District after the issuance of the Bonds ("Projected Average Requirement") .....	\$575,221	
Tax rate required to pay Projected Average Annual Debt Service Requirement based upon 2010 Certified Assessed Valuation at 95% collections .....	\$0.86/\$100	A.V.
Tax rate required to pay Projected Average Annual Debt Service Requirement based upon Estimated Assessed Valuation as of January 15, 2011 at 95% collections.....	\$0.83/\$100	A.V.
Projected Maximum Annual Debt Service Requirement (2012) of the District after the issuance of the Bonds ("Projected Maximum Requirement") .....	\$640,356	
Tax rate required to pay Projected Maximum Annual Debt Service Requirement based upon 2010 Certified Assessed Valuation at 95% collections.....	\$0.96/\$100	A.V.
Tax rate required to pay Projected Maximum Annual Debt Service Requirement based upon Estimated Assessed Valuation as of January 15, 2011 at 95% collections.....	\$0.92/\$100	A.V.
Number of Active Connections as of _____, 2011		
Single Family - Complete and occupied.....	—	
Single Family - Complete and unoccupied.....	—	
Estimated Population as of _____, 2011 .....	—	(g)

(a) Assessed valuation of the District as of January 1, 2010, as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."

(b) As estimated by TCAD as of January 15, 2011 and is included solely for purposes of illustration. See "TAXING PROCEDURES."

(c) Includes the Bonds.

(d) The District levied a 2010 tax rate of \$0.91 at its meeting in September 2010. In its order approving the issuance of the Bonds, the TCEQ recommended that the District levy a debt service tax rate of not less than \$0.69 per \$100 assessed valuation.

(e) Unaudited. Does not include approximately twenty-four months of capitalized interest which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.

(g) The District's initial tax levy was for Tax Year 1997.

(h) Based upon 3.5 residents per completed and occupied single family home.

**OFFICIAL STATEMENT**  
**relating to**  
**\$2,000,000**  
**Moore's Crossing Municipal Utility District**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

**UNLIMITED TAX BONDS, SERIES 2011**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Moore's Crossing Municipal Utility District (the "District"), a political subdivision of the State of Texas, of its \$2,000,000 Unlimited Tax Bonds, Series 2011 (the "Bonds").

The Bonds are issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds, pursuant to the Constitution and general laws of the State of Texas including Chapter 966, Sections 3.1601 to 3.1614 of the 77<sup>th</sup> Regular Session of the Texas Legislature effective September 1, 2001 (the "Act") and Chapters 49 and 54 of the Texas Water Code, as amended, the bond election approved by the voters within the District on November 3, 1987, and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and the Bond Resolution. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES AND ONLY ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue Suite 1300, Austin, Texas, 78701 or from the District's Financial Advisor, Southwest Securities, 701 Brazos, Suite 400, Austin, Texas, 78701, upon payment of reasonable copying, mailing and handling charges.

**THE BONDS**

**General Description**

The Bonds of the District to be known and designated as Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series 2011, shall be issued in the aggregate principal amount of \$2,000,000 for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a water, wastewater, and drainage system and facilities for providing water, wastewater and drainage services within the District, including, but not limited to, all additions thereto and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor, and administrative facilities needed in connection therewith, and to pay certain costs of creation and administration of the District under and in strict conformity with the Constitution and laws of the State of Texas.

The Bonds will bear interest from May 1, 2011 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on September 1, 2011 and each March 1 and September 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Paying Agent").

**Redemption**

**Optional Redemption.** . . . The Bonds maturing on and after September 1, 2018, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2017, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**Mandatory Sinking Fund Redemption.** . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1 in the years \_\_\_\_ and \_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

**Bonds Maturing September 1,**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
---	------------------------------------

**Bonds Maturing September 1,**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
---	------------------------------------

\*Stated Maturity

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

**Notice of Redemption** . . . At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in whole or in part in increments of \$5,000 or any multiple thereof. Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular maturity or maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

**Termination of Book-Entry-Only System**

The District is initially utilizing the book-entry-only system of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

**Payment** . . . Principal of the Bonds will be payable at maturity or prior redemption to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

**Registration** . . . If the Book-Entry-Only system is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will 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 transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in denominations of \$5,000 or any integral multiple thereof.

**Limitation on Transfer of Bonds** . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month (whether or not a business day) preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**Replacement Bonds**

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated

with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

#### **Authority for Issuance**

At an election held within the District on November 3, 1987, voters within the District authorized a total of \$32,000,000 of unlimited tax bonds. The Bonds constitute the fourth installment of unlimited tax bonds issued by the District. The District has also issued one series of unlimited tax refunding bonds. After the sale of the Bonds, \$23,905,000 principal amount of District unlimited tax bonds will remain authorized but unissued. The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, the bond election approved by the voters, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by the TCEQ.

#### **Source of and Security for Payment**

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds.

The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any political subdivision or entity other than the District.

#### **Payment Record**

The District has previously issued four series of bonds including: Unlimited Tax Bonds, Series 1998; Unlimited Tax Bonds, Series 2003; Unlimited Tax Refunding Bonds, Series 2004; and Unlimited Tax Bonds, Series 2005 (collectively, the "Outstanding Bonds"). The District has not defaulted on the payment of principal of or interest on such Outstanding Bonds. Up to two years of capitalized interest was included in the Outstanding Bonds, excluding the refunding bonds.

#### **Flow of Funds**

The Bond Resolution affirms creation, establishment and maintenance by the District of, a Construction Fund and a Debt Service Fund for the Bonds. The Bond Resolution requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing accrued and capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect to) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Resolution requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

#### **Defeasance of Outstanding Bonds**

**General** . . . The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Resolution (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Resolution and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Resolution.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from

such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Paying Agent for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) 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 Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

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

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

#### **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by BOKF, N.A., dba Bank of Texas, having its office for payment in Austin, Texas, the initial Paying Agent/Registrar (the "Paying Agent"). The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Resolution for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

#### **Record Date**

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

#### **Issuance of Additional Debt**

The District may issue bonds necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, the City of Austin and, in the case of bonds payable from taxes, the District's voters. Following the issuance of the Bonds, \$23,905,000 unlimited tax bonds authorized by the District's voters will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to enter into certain other obligations including the issuance of revenue bonds and notes, bond anticipation notes and tax anticipation notes without voter approval. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

According to the District's engineer, after reimbursements made with proceeds of the Bonds, approximately \$\_\_\_\_\_ will remain payable



for funds advanced in connection with the development of property within the District (see "THE DISTRICT – Historical and Current Status of Development"). The District does not currently anticipate issuing the full principal amount of authorized but unissued bonds (\$23,905,000) but is legally authorized to so do upon the approval of the TCEQ, the City of Austin and the Board of Directors. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject approval of the City of Austin and the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

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

Pursuant to Section 49.186 of the Water Code, bonds, notes or 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." Additionally, Section 49.186 of the Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

#### **Specific Tax Covenants**

In the Bond Resolution the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

#### **Additional Covenants**

The District has additionally covenanted in the Bond Resolution that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

#### **Remedies in Event of Default**

The Bond Resolution provides that, in addition to all other rights and remedies of any owner of Bonds provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution including payment when due of the principal of and interest on the Bonds, registered owners may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion.

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

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

## **Annexation**

The District, at the time of its creation, was located within the corporate limits of the City of Austin. In 1995, the Texas Legislature enacted Section 43.203 of the Texas Local Government Code which allows a district, such as the District, upon petition to the City, to alter its status of the land within the district from full purpose annexation to limited purpose annexation. The District petitioned the City of Austin on September 20, 1997 requesting the land within the District be altered from full purpose annexation to limited purpose annexation. The City of Austin took no action on such petition. Pursuant to the statute, after 90 days from the date of the filing of the petition, the District was changed from full purpose annexation status to limited purpose annexation. In limited purpose annexed areas, a city may regulate for purposes of planning, zoning, health and safety, but may not impose ad valorem taxes. The alteration of the annexation to limited purpose remains in effect for ten years, beginning January 1 of the year following the date of the submission of the petition, unless the voters of the District have approved dissolution through an election. At the expiration of the ten year period, the District may be restored to full purpose annexation at the option of the City, if the City agrees to assume all obligations of the District that would normally be assumed upon annexation and dissolution of a district under Texas law. See "THE DISTRICT – City of Austin Consent Agreement."

## **Consolidation**

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 drainage system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

## **Alteration of Boundaries**

In certain circumstances under State law the District may, upon satisfying certain conditions, alter its boundaries to: 1) annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

## **Approval of the Bonds**

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

## **Amendments to the Bond Resolution**

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

## **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC"), New York, NY, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC 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 or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 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 Paying Agent/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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Bond Resolution.

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

The proceeds of the Bonds will be used to finance the District's share of the following projects: (i) Stoney Ridge Phase B North detention pond; and (ii) water distribution, wastewater collection, and storm drainage facilities to serve Stoney Ridge Phase B, Section 2.

Additionally, bond proceeds will be used to pay : i) engineering fees associated with a portion of the above construction projects; ii) developer interest accrued on a portion of the above projects; iii) approximately twenty-four months of capitalized interest; and iv) certain costs associated with the issuance of the Bonds.

The estimated use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$1,337,238 is estimated to be required for construction costs, and \$662,762 is estimated to be required for non-construction costs, including \$260,000 of capitalized interest (approximately twenty-four months of interest at 6.50%).

#### Construction Costs

#### District Share

##### A. Developer Contribution Items

1. Stoney Ridge Phase B, North Pond - Detention	\$ 593,094
2. Stoney Ridge Phase B, Section 2 – W, WW & Dr	655,180
3. Engineering (15% of item 1)	88,964
<b>Total Developer Contribution Items</b>	<b>\$ 1,337,238</b>

##### B. District Items

N/A	\$ -
<b>Total District Items</b>	<b>\$ -</b>

<b>Total Construction Costs</b>	<b>\$ 1,337,238</b>
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#### Non-Construction Costs

A. Legal Fees (3%)	\$ 60,000
B. Fiscal Agent Fees (2%)	40,000
C. Interest Costs	
1. Capitalized Interest (24 months @ 6.50%)	260,000
2. Developer Interest	174,762
D. Bond Discount (3%)	60,000
E. Bond Issuance Expenses	25,000
F. Bond Application Report Costs	36,000
G. Attorney General Fee (.10%)	2,000
H. TCEQ Fee (.25% of BIR + \$500)	5,500
<b>Total Non-Construction Costs</b>	<b>\$ 662,762</b>

<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 2,000,000</b>
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## RISK FACTORS

### General

The Bonds, which are obligations of the District and are not obligations of the State; Travis County, Texas; the City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Source of and Security for Payment". The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures...* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single family mortgage lending and real estate development lending. Additionally, lenders have been selective in recent years in making real estate development loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, although located approximately 15 miles from 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.

*Competition...* The demand for single-family homes in the District could be affected by competition from other residential developments including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

In recent months, deteriorating economic conditions and disruption in the housing market has led to a significant number of foreclosures on single-family homes in the Central Texas area market. In the District, there have been 7 foreclosures on single family homes in 2010. No assurance can be given whether the number of foreclosures will increase or that market conditions will improve.

***National Economy:*** Nationally, there has been a significant downturn in new housing construction due to the lack of liquidity and other factors, resulting in a decline in housing market values. The ability of individuals to qualify for a mortgage as well as the general reduction in mortgage availability has also decreased housing sales. The Austin area, including the District, has experienced reduced levels of home construction and home sales activity. The District cannot predict what impact, if any, a continued downturn in the national housing and financial markets may have on the Central Texas market and the District.

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

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

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2010 Certified Assessed Valuation is \$70,592,034 and the Estimated Assessed Valuation as of January 15, 2011 is \$73,647,873 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$640,356 (2012) and the Projected Average Annual Debt Service Requirement will be \$575,221 (2012 through 2027). Based upon the 2010 Certified Assessed Valuation of \$70,592,034, a tax rate of \$0.96/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$640,356, and a tax rate of \$0.86/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of \$575,221. Based upon the Estimated Assessed Valuation as of January 15, 2011 of \$73,647,873, a tax rate of \$0.92/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$640,356, and a tax rate of \$0.83/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Average Annual Debt Service Requirement of \$575,221. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA – Tax Adequacy for Debt Service."

#### **Tax Collections**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

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

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further 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.

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

The enforceability of the rights and remedies of 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 discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the registered owner's claim against a district.

#### **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 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 little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent 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, attorneys 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 that 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.

#### **Marketability**

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

#### **Continuing Compliance with Certain Covenants**

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

#### **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$23,905,000 authorized but unissued bonds See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued", and such additional bonds as may hereafter be approved by both the Board of Directors, the City of Austin and voters of the District. The District has also reserved the right to issue certain other additional bonds, revenue bonds or notes, special project bonds, refunding bonds, and other obligations described in the Bond Order. All of the remaining \$23,905,000 bonds which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of City of Austin and the TCEQ, from time to time as improvement needs arise. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

After reimbursements made with proceeds from the Bonds, there will be approximately \$\_\_\_\_\_ currently owed to the developer for the development of the utilities within the District (see "THE DISTRICT - Historical and Current Status of Development"). The District does not anticipate the issuance of the full principal amount of authorized but unissued bonds (\$23,905,000) but is legally authorized to do so upon the approval of the TCEQ, the City of Austin and the Board of Directors. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of additional bonds which it may issue. The issuance of additional bonds is subject to approval by the

Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt".

#### **Governmental Approval**

As required by law, engineering plans, specifications and an estimate of construction costs for the facilities and services to be purchased or constructed by the District with the proceed of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS". The TCEQ approved the issuance of the Bonds by an order dated June 24, 2010. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

#### **Forward-Looking Statements**

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

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

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

#### **Tax Exempt Property – Strategic Housing Finance Corporation of Travis County**

Within the District there is the potential for property to be owned by the "Strategic Housing Finance Corporation of Travis County" ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the "Texas Housing Finance Corporations Act"). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of \$35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax exempt, therefore during the thirty nine (39) month term of the lease, during which SHFC owns the home, that property is removed from the tax rolls of the District. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax exempt indefinitely. As of \_\_\_\_\_, 2011, there is \_\_\_ home with an aggregate 2010 tax year appraised value of \$\_\_\_\_\_ within the District that is owned by SHFC and has been removed from the tax rolls. It is not known when, or if, these properties may be added back to the tax rolls of the District. Because the SHFC program is between itself and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which it offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

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## LOCATION MAP

## THE DISTRICT

### General

The District was created by order of the Texas Water Commission, predecessor to the TCEQ, adopted on June 17, 1987, and a confirmation election held within the District on November 3, 1987, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ and is located entirely within the limited purpose jurisdiction of the City of Austin. (See "THE BONDS - Source of Payment and Security for Payment").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; 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 park and recreational facilities and solid waste disposal services. If approved by the voters and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts and provide such facilities and services to the customers of the District. Effective September 13, 2003, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ and the City of Austin, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. See "THE BONDS - Issuance of Additional Debt".

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Austin, within whose extraterritorial jurisdiction the property comprising the proposal was located at the time the consent was requested, the District is required to observe certain requirements of the City of Austin which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities; require approval by the City of Austin of District construction plans; and permit connections only to single-family lots and commercial or multi-family commercial platted reserves which have been approved by the Planning Commission of the City of Austin. Construction and operation of the District's utility system ("System") is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

### Management of the District

#### *Board of Directors*

The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections held within the District in May in each even-numbered year. All of the directors reside or own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Charles H. Scott	President	17 Years	2012
Ann Carroll	Vice-President	13 Years	2014
Michelle Bolin	Secretary	8-1/2 Years	2014
Gregory D. Schroen	Treasurer	14 Years	2012
John Foradory	Assistant Secretary/Treasurer	___ Years	2012

#### *Consultants*

##### **Tax Assessor/Collector**

Land and improvements in the District are being appraised by the Travis Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector, Ms. Nelda Wells Spears, currently serves the District in this capacity under contract.

##### **Operator**

The District contracts with Crossroads Utility Services ("Crossroads") to serve as Operator for the District. Crossroads serves in a similar capacity for 28 other special districts in the Austin metropolitan area.

##### **Engineer**

The District's consulting engineer is Schroeder Engineering Company (the "Engineer"). Such firm serves as consulting engineer to eleven other special districts.

### **Bookkeeper**

Municipal Accounts & Consulting L.P. acts as bookkeeper for the District and currently performs similar services for approximately 250 other special districts.

### **Financial Advisor**

Southwest Securities serves as the District's financial advisor (the "Financial Advisor"). The Financial Advisor's fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor has been authorized through a resolution of the Board to submit a bid for the purchase of the Bonds.

### **Bond Counsel and Disclosure Counsel**

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

### **General Counsel**

The District employs Armbrust & Brown, PLLC ("A&B") as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

### **Location**

The District is located in Travis County approximately eight miles south-southeast of Austin's central business district and is situated approximately 1.5 miles south of Austin Bergstrom International Airport. The District is comprised of approximately 838.48 acres. Access to the District is provided by Interstate Highway 35 and Burleson Road via Elroy Road.

### **Historical and Current Status of Development**

The District was created by the Texas Water Commission predecessor to the Texas Commission on Environmental Quality, on June 7, 1987 upon petition by Moore's Crossing Joint Venture ("Moore's Crossing J.V."), the original developer and owner of all land within the District. The District was originally created as an in-city municipal utility district (i.e., inside the city limits of the City of Austin). In 1986 and 1987, Moore's Crossing J.V. constructed certain regional water and wastewater facilities and developed Sections 1 (115 lots) and 2 (43 lots) within the District with water, wastewater and drainage facilities; however, underground utilities and street paving were incomplete and no houses were constructed. Moore's Crossing J.V. subsequently defaulted on their development loan from University Savings which was later taken over by the Resolution Trust Corporation ("RTC"). All development activity within the District ceased from 1987 until 1993. In April 1993, MC Joint Venture purchased approximately 804 acres within the District from the RTC. MC Joint Venture is comprised of William Geo. Gurasich, individually, and BC Partnership, a Texas general partnership, comprised of two individuals, William Chambers and Timothy Chambers. In early 1993, the City of Austin announced plans to move the municipal airport from Robert Mueller to the former site of the Bergstrom Air Force Base located near the District. MC Joint Venture delayed any development activity within the District until the Federal Aviation Administration ("FAA") announced the noise control zone and flight path. In August, 1994 and April, 1996 the land included in Section 1 (28.7 acres) and an additional 179 acres was sold by MC Joint Venture to SR Development, a Subchapter S Texas Corporation with William Geo. Gurasich as the sole director and President.

In January 1996, the Board of Directors of the District voted to be deannexed from the city limits of the City of Austin pursuant to the provisions of SB 1396 passed by the 72nd Texas Legislature in 1995.

In late 1995 and early 1996, development within the District was reinstituted by SR Development and utilities and street paving were completed in Phase A, Sections 1 (115 lots) and 2 (43 lots). In the years 1998 thru 2004, Phase A, Sections 3A (54 lots), 3B (50 lots), 3C (40 lots), 5A (62 lots), 5B (72 lots) and Section 6 (58 lots) were developed by SR Development as part of the subdivision Stoney Ridge. In January 1998, MC Joint Venture sold approximately 17 acres to Del Valle Independent School District for an elementary school, the approximate 17 acre school site was annexed into the District on May 7, 1998, and the elementary school opened in the fall of 1999. In the years 2005 thru 2006, SR Development completed the development of Phase B, Section 1 (175 lots) in the years 2005 thru 2006 and Phase B, Section (144 lots) in the years 2007 thru 2008, all further part of the subdivision Stoney Ridge.

In 2008 thru 2009, SR Development entered into a construction participation agreement with Travis County, Texas ("Travis County CIP Contract #07K00315LP") to construct segments 1, 2, and 3 of Elroy and Ross Roads. The project was completed in March 2010. Total cost of the project, including engineering, was \$2,420,000, of which \$750,000 is reimbursable to SR Development from future bond proceeds.

SR Development has stated that the remaining single family acreage within the District is expected to be developed as follows: Phase C, Section 1 (approximately 28 acres, 142 lots); Phase D, Section 1 (46.6 acres, 250 lots); Phase D, Section 2 (46.6 acres, 250 lots); and Phase D, Section 3 (46.6 acres, 250 lots). The District makes no representation that any further development will occur within the District or that any

further development within the District will be consistent with existing development with the District. See "THE DISTRICT – Future Development."

Of the total 838.48 acres in the District, approximately 11 acres are zoned for commercial development, of which approximately 2 acres were sold in 2010 by SR Development for the development of a 10,000 square foot retail center anchored by a gas station and a neighborhood grocery or restaurants.

In 2008, TSWG 130, L.L.C. ("TSWG"), was formed by William Geo. Gurasich and Tim Chambers, to purchase approximately 36 acres, known as the Linda Vista tract, zoned for limited purpose. The Linda Vista tract was annexed into the District in 2009, thus, the total acreage in the District increased to 838.48 acres.

The following chart illustrates the number of homes built per year since 1995.

Calendar Year	No. of Single-Family Homes Constructed
1995	20
1996	85
1997	43
1998	47
1999	54
2000	38
2001	71
2002	2
2003	62
2004	30
2005	64
2006	65
2007	64
2008	25
2009	25
2010	<u>35</u>
Total	730

*The remainder of this page intentionally left blank.*

## Single Family Development

The chart below reflects the status of single family development as of January 15, 2011.

	Net	Platted	Completed	Single Family Homes Under	Vacant
	Acreage	Lots	Homes	Construction	Lots
<b>A. Developed with Utility Facilities</b>					
Moore's Crossing	28.7	115	115	-	-
Stoney Ridge, Phase A					
Section 2	11.3	43	43	-	-
Section 3A	12.1	54	54	-	-
Section 3B	12.2	50	50	-	-
Section 3C	9.9	40	40	-	-
Section 5A	12.4	62	62	-	-
Section 5B	14.2	72	56	-	16
Section 6	12.5	58	58	-	-
Stoney Ridge, Phase B				-	
Section 1	35.4	175	175	-	-
Section 2	26.6	144	77	-	67
Total Developed with Utilities	175.30	813	730	-	83
<b>B. Sections Currently Under Construction</b>					
None	-	-	-	-	-
<b>C. Total Developed with Utilities or Under Construction</b>	175.30	813	730	-	83
<b>D. Remaining Developable Acreage</b>	453.30				
<b>E. Del Valle ISD Elementary School</b>	17.10				
<b>Total Developable Acreage</b>	<b>645.70</b>				
<b>F. Undevelopable Acreage (a)</b>	<b>145.78</b>				
<b>G. Commercial Acreage</b>					
i. Linda Vista Tract	36.00				
ii. Other	<u>11.00</u>				
<b>Total Commercial Acreage</b>	<b>47.00</b>				
<b>Total</b>	<b>838.48</b>				

(a) Includes approximately 7.0 acres for community housing, 20.0 acres for parks, 6.0 acres for emergency medical station, 5.6 acres for water storage tank and 109.10 acres for flood plain and conservation.

## Development of Surrounding Areas

Below is information provided by SR Development regarding the development surrounding the District. The District makes no representation regarding the surrounding development, nor that any further development surrounding the District will be consistent with existing surrounding development.

### *Texas State Highway 130*

The new Texas State Highway 130 (SH 130) is a tollway that currently runs from Interstate 35 in the city of Georgetown, north of the city of Austin ("Austin"), and rejoins Interstate 35 south of Austin near the city of Buda. This section of the roadway is operational. Construction of the SH 130 extension is underway and will run from the junction of SH 130, Hwy 183 and SH 45, south to the city of Seguin at Interstate 10. It is expected to open in 2012. SH 130 parallels I-35 east of Austin and is intended to relieve the Interstate's traffic volume through the cities of San Antonio-Austin corridor by serving as an alternate route. When completed it will span 89 miles and is expected to cost \$2.8 billion. Initially a four-lane highway and expandable to six lanes, SH 130 was developed in response to the surge in truck traffic on the I-35 corridor as a result of the North American Free Trade Agreement during the late 1990s. In the vicinity of the District, SH 130 Diamond interchanges are in place for Texas State Highway 71, Elroy Road, FM 812 and US Route 183. Elroy Road, the main thoroughfare bisecting the District, is four to six lanes with a divided median. SR Development and Travis County jointly paid for this improvement.

### *Austin-Bergstrom International Airport*

Austin-Bergstrom International Airport ("Austin-Bergstrom"), whose public entrance is four miles from the District on Hwy 71, has service to nearly 3,000 destinations worldwide. Austin-Bergstrom served 8.7 million passengers in 2010 and is ranked the third best airport of any size in North America and fifth world-wide among airports its size, according to ACI and ASQ surveys. The terminal measures 660,000 square feet with a total of 25 gates. Inside the terminal, concessions are leased to local restaurants and a live music stage showcases local musicians. The terminal is connected to a parking garage and surface parking with a total of 10,152 spaces. Passengers are further served by SuperShuttle shared-ride door-to-door service, Capital Metro local bus service, Taxicab and limousine service. Recent statistics indicate a surge in deplaning passengers attributable to Austin's growth in business activity. Austin-Bergstrom has more than 300 Department of Aviation employees and more than 3,000 employees of airlines, FAA, cargo, rental cars, concessions, parking, and Federal Inspection Services. Future expansion to Austin-Bergstrom includes a civilian commercial aviation Terminal II at the southern boundary with an entry on Burleson Road.

### *Armed Forces Reserve Training Center*

A \$41.5 million government contract has been awarded to build an armed forces training and vehicle maintenance facility on 60 acres at Austin-Bergstrom. The training center is located approximately one mile from the District, on Emma Browning Avenue, the future entrance to Austin-Bergstrom's civilian aviation Terminal II. The Armed Forces Reserve Center and Joint Vehicle Maintenance Facility will serve as a home base for Central Texas members of the Texas Army National Guard, the Army Reserve and the Marine Corps Reserve. About 1,200 members of the military will use the facility. The project includes a 209,000-square-foot building with classrooms, assembly halls, a commercial kitchen and storage, including arms vaults. The separate vehicle maintenance facility will be about 45,830 square feet. Completion is scheduled for June, 2012.

### *Formula-1 Race Track and Events Center*

Formula One World Championship Limited and Formula One Administration Limited (together, the F1 Commercial Rights Holder) and Full Throttle Productions, LP, promoter of the Formula 1 United States Grand Prix™ have announced a historic agreement for Austin to serve as the host city of the Formula 1 United States Grand Prix™ for years 2012 through 2021. The F1 project is located on 1000+ acres adjacent to the District's southern perimeter. Construction has commenced. According to a report commissioned by F1 officials, the construction project will cost as much as \$242 million and create as many as 2,000 direct jobs between 2011 and 2012. When operational, the facility is estimated to generate as much as \$400 million in regional economic activity annually. Other events planned for the F1 facility include F2 and F3 races, Moto GP, Austin City Limits music festival and South by Southwest Music, Film & Interactive Conference and Festival.

### *Planned mixed-use developments in the area of the District*

Mixed-use developments are planned on more than 6,000 acres near the District and include more than 20,000 homes, townhomes, condominiums and apartments, combined with office, retail and school sites. Current development plans under review are expected to build out over 15 to 20 years.

### **Future Development**

The remaining approximately 453.30 undeveloped but developable acres are planned for additional single family, multifamily, industrial or retail development use. The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "RISK FACTORS." If the 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, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$23,905,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See "THE BONDS - Issuance of Additional Debt." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

## **City of Austin Consent Agreement**

Under state law the City of Austin is required to give its consent to the creation of the District. The vehicle for this consent is an ordinance passed by the City Council of the City of Austin, which includes the "Creation Agreement." The following is a summary of certain terms and conditions of the Creation Agreement (hereinafter defined), but it is not a complete description and is qualified by reference to the Creation Agreement, copies of which are available from the District.

By Passage of Ordinance No. 860206-N, the City of Austin granted its consent to the creation of the District. In the Creation Agreement, as amended, the District agreed to issue bonds only for purposes approved by the City of Austin. In the Creation Agreement, the City of Austin has contracted to provide retail water and wastewater service to all of the customers within the District.

The Creation Agreement provides that each developer will serve as project manager for the construction of the facilities constituting the District's utility system and which are being funded by such developer. All of such facilities will be reviewed and approved by the appropriate state agencies and the City of Austin prior to construction.

The District agrees that it will not serve customers outside of its boundaries and that it will not annex additional land into the District without the prior approval of the City of Austin. The Creation Agreement also provides that the City of Austin shall not be liable for the failure to provide water and wastewater service where that failure results from conditions beyond the City of Austin's control. In addition, the City of Austin has the right to limit service to the District on the same basis and to the same extent that it limits service to other customers.

The District and the City have agreed that the City may annex and dissolve the District after 20 years from the date of confirmation of creation of the District. The District was confirmed on November 3, 1987. The City also retained the ability to annex and dissolve the District if at least 90% by dollar amount of the District facilities have not been constructed within 15 years from the date of confirmation of the District creation; provided, however, if construction of District facilities is underway, annexation may be postponed until construction is completed and the purchase of the facilities is accomplished.

The Creation Agreement further provides that MC Joint Venture and its successor and assigns must dedicate two separate tracts of five acres each to be used for City-sponsored low to moderate income, owner occupied housing. Additionally, MC Joint Venture has agreed in the Creation Agreement to guarantee that 20% of the single family lots it develops will be sold at or below \$13,760 subject to certain cost adjustments.

The District and the City of Austin have agreed to certain land use controls, including land use and density limitations for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with state law and City of Austin ordinances. The Creation Agreement is for a term not to exceed 40 years.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for bonds issued by a district.

### **Description of the Developer**

The owner of the property within the District which is undeveloped or under development is SR Development, a Subchapter S Texas Corporation with William Gurasich as the sole director and President, MC Joint Venture comprised of William Gurasich, individually and BC Partnership, a Texas general partnership, comprised of William Chambers and Timothy Chambers, individually, and TWSG130, a general partnership, composed of William Gurasich and Timothy Chambers, individually.

In April 1993, MC Joint Venture purchased approximately 784 acres from the RTC which included all undeveloped property, Sections 1 and 2 which were partially developed along with certain regional water and wastewater facilities. In August, 1994 and April, 1996 the land included in Section 1 and an additional 179 acres, consisting of the majority of Phase A of the Stoney Ridge subdivision, were sold by MC Joint Venture to SR Development. As of October 1, 2003, MC Joint Venture owned 456 net developable acres within the District a portion of which were under an agricultural exemption and approximately 75 acres were owned by SR Development.

In December, 2003, MC Joint Venture sold to SR Development the land comprised of Phase B, Sections 1 and 2, Phase C and 64.50 acres at the corner of FM 973 and Elroy Roads. Phase B and Phase C were platted for 459 residential lots while the 65.40 acre corner was zoned general retail/commercial and light industrial.

In November 2009, TSWG130 purchased a 33 acre existing subdivision of 46 half acre lots on the southern boundary of the 65.40 acre corner parcel at FM 973 and Elroy Roads, locally known as Linda Vista Subdivision, from the City of Austin. The property was zoned general retail/commercial and light industrial/commercial and annexed into the District.

In March 2011, MC Joint Venture sold all of the property remaining at the four corner intersection of Ross and Elroy Roads, totaling 54 net acres zoned multifamily-2, local retail and general retail, to SR Development. As of March 2011, MC Joint Venture owns \_\_\_\_ acres, SR Development owns \_\_\_\_ acres and TSWG130 owns \_\_\_\_ acres in the District. See "THE DISTRICT – Historical and Current Status of Development."

In 1998 Mr. Gurasich, the sole director and President of SR Development plead guilty to federal charges of conspiracy, mail fraud, false claims and money laundering in connection with alleged improper Medicare and Medicaid reimbursements received by a health care company for which Mr. Gurasich had served as a consultant, investor and 13% owner. Mr. Gurasich paid \$1,050,987 in restitution and a \$20,000 fine and was sentenced to 60 months probation. Mr. Gurasich's probation was terminated early effective April 6, 2003, after serving 36 months.

### Financing

Acquisitions financing for MC Joint Venture was funded by cash. Acquisition financing for SR Development was funded through notes (the "Notes") from SR Development to MC Joint Venture and cash. The Notes mature November 2, 2009, April 23, 2009, and December 31, 2019, respectively, are subordinate to the development financing loan, described herein, and at April 1, 2011, had principal balances of \$4,221,075, \$4,640,940 and \$3,236,000, respectively. Security for the notes includes proceeds from the sale of lots, subdivided small parcels, customized corporate sales and all bond reimbursements.

According to the Developer, SR Development has four outstanding loans with First State Bank Central Texas related to the development of projects within the District. According to SR Development, the status of the four loans as of April 15, 2011 is as follows:

<u>Project</u>	<u>Amount of Loan</u>	<u>Amount Type Loan</u>	<u>Loan Due Outstanding</u>	<u>Date</u>	
1. Phase B, Section 2	\$2,550,000.00	Development Loan	\$ 280,569.23	4/30/2011	(a)
2. Phase B, Section 2	452,233.00	Line of Credit	99,4670.20	12/31/2011	(b)
3. Elroy Road, Section 1 & 2 Reconstruction	1,350,000.00	Loan	1,000,000.00	4/30/2011	(a)
4. Elroy Road, Section 3 / Ross Road	1,265,000.00	Loan	799,000.00	4/30/2011	(a)

(a) Original maturity date of August 30, 2011 extended to April 30, 2011.

(b) Original maturity date of \_\_\_\_\_ extended to December 31, 2011.

The Phase B, Section 2 development loan is secured by a note from SR Development and a Deed of Trust on Phase B, Section 2 for 48 remaining residential lots. The remaining development loans are secured by a note and a Deed of Trust on approximately 72.51 acres at the corner of FM 973 and Elroy Road and the bond reimbursements related to the wet pond and construction costs for Phase B, Section 2. According to SR Development, it is in compliance with all material terms and conditions of the loans.

SR Development has not obtained development loans for future sections and regional improvements, including Phase C (approximately 140 lots), the 18" wastewater lateral line connecting the current lift station with the 30" dry creek interceptor or the 18" gravity wastewater line that will serve all property within the District west of Texas 130 expressway.

### Homebuilders

According to SR Development, as of January 15, 2011, the 16 remaining vacant lots in Phase A, Section 5B are under contract to LEXOR Homes. Homes built by LEXOR Homes range in price from \$\_\_\_\_ to \$\_\_\_\_ and in range in square footage from \_\_\_\_\_ to \_\_\_\_\_. The remaining vacant lots in Phase B, Section 2 are under contract to Lennar Homes. Homes built by LEXOR Homes range in price from \$\_\_\_\_ to \$\_\_\_\_ and in range in square footage from \_\_\_\_\_ to \_\_\_\_\_.

## THE SYSTEM

### Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such



facilities, including, among others, the TCEQ and the City. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ.

#### **Water Supply and Distribution**

The District receives its entire potable water supply from Austin which, in turn, obtains water from three locations along the Colorado River. The primary source of potable water for the District is the City's Central Pressure Zone through the Moore's Crossing Transmission Main and Reservoir which is owned and operated by the City of Austin. The City has agreed to provide the District with water capacity sufficient to serve 3,955 living unit equivalents.

#### **Wastewater Collection and Treatment**

Wastewater treatment service for the District is provided by the City's South Austin Regional Wastewater Treatment Plant (the "Treatment Plant"). The Treatment Plant has a permitted capacity of 50 million gallons per day ("mgd") and has been sized to service the entire Slaughter Creek drainage area, in which the District is located, at ultimate development. Current flows through the Treatment Plant are approximately 33 mgd.

#### **100-Year Flood Plain and Storm Drainage Information**

According to the District's Engineer approximately 100 acres of undeveloped land within the District are located within the 100-year flood plain.

#### **Water and Wastewater Operations – Table 1**

##### **Rate and Fee Schedule**

District retail service responsibilities are handled by the City of Austin pursuant to the Consent Agreement. The City of Austin provides water and wastewater service to utility customers within the District and charges rates equal to the current rates set by the City of Austin for retail water and sewer service. Such rates are expected to be changed from time to time by the City. The City of Austin is responsible for maintaining and operating the System. Effective October 20, 1998, the District began collecting tap fees from builders, and as of August 11, 2005 the sanitary sewer and drainage tap fee is \$450.00 per Fee Unit for service to lots within the District.

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**Operating Revenues and Expenses Statement – Table 2**

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records.

	<b>Fiscal Year Ended September 30, <sup>(a)</sup></b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>REVENUES</b>				
Property Tax Revenues, including penalties	\$ 205,728	\$ 153,965	\$ 111,206	\$ 91,851
Tap Fees	17,100	6,750	11,700	20,250
Interest	1,398	1,399	3,615	6,699
Miscellaneous	<u>197</u>	<u>270</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>224,423</b>	<b>162,384</b>	<b>126,521</b>	<b>118,800</b>
<b>EXPENDITURES</b>				
Repairs & Maintenance	\$ 6,344	\$ 22,039	\$ 10,873	\$ 6,104
Chemical	13,033	16,000	15,800	23,663
Utilities/Telephone	4,232	3,069	5,268	4,878
Security Light	8,758	9,488	7,988	8,198
Landscape expense	25,628	28,240	20,221	26,672
Director Fees and related payroll	9,366	9,689	7,913	8,074
Operations Fee	11,820	12,000	16,592	16,945
Bookkeeping	17,224	16,790	4,955	-
Legal Fees	29,003	23,948	20,962	18,224
Engineering Fees	5,620	4,478	5,482	6,616
Audit Fees	9,000	14,500	10,750	9,750
Tax appraisal/collection	1,251	976	700	560
Other consulting fees	499	387	1,843	334
Insurance	1,568	1,629	1,494	1,401
Contingency/Misc. Exp	<u>9,434</u>	<u>8,882</u>	<u>6,740</u>	<u>8,072</u>
<b>TOTAL EXPENDITURES</b>	<b>152,780</b>	<b>172,115</b>	<b>137,581</b>	<b>139,491</b>
<b>EXCESS REVENUES</b>	<b><u>71,643</u></b>	<b><u>(9,731)</u></b>	<b><u>(11,060)</u></b>	<b><u>(20,691)</u></b>
Plus / (Less) Fund Transfers	7,500	21,823	(21,823)	-
Fund Balance (Beginning of Year)	<u>63,417</u>	<u>51,325</u>	<u>84,208</u>	<u>104,899</u>
Fund Balance (End of Year)	<b>142,560</b>	<b>63,417</b>	<b>51,325</b>	<b>84,208</b>

(a) Audited.

**PROJECTED DEBT SERVICE REQUIREMENTS - TABLE 3**

**MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT**

**\$2,000,000**

**Unlimited Tax Bonds, Series 2011**

**Dated Date: June 1, 2011**

**First Interest Payment Due: March 1, 2012**

Year Ending 31-Dec	Outstanding Debt			Series 2011			Principal and Interest	Projected Total Debt Service Requirements
	Principal (Due 9/01)	Interest (Due 3/1 & 9/1)	Principal and Interest	Principal (Due 9/01)	(Due 3/01)	Interest* (Due 9/01)	Total	
2011	\$ 235,000	\$ 217,231	\$ 452,231	\$ -	\$ -	\$ -	\$ -	\$ 452,231
2012	245,000	207,856	452,856	25,000	97,500	65,000	162,500	640,356
2013	250,000	197,769	447,769	25,000	64,188	64,188	128,375	601,144
2014	255,000	187,694	442,694	50,000	63,375	63,375	126,750	619,444
2015	265,000	177,119	442,119	50,000	61,750	61,750	123,500	615,619
2016	280,000	165,666	445,666	50,000	60,125	60,125	120,250	615,916
2017	300,000	153,210	453,210	50,000	58,500	58,500	117,000	620,210
2018	310,000	139,430	449,430	75,000	56,875	56,875	113,750	638,180
2019	215,000	124,986	339,986	75,000	54,438	54,438	108,875	523,861
2020	225,000	115,080	340,080	75,000	52,000	52,000	104,000	519,080
2021	235,000	104,488	339,488	100,000	49,563	49,563	99,125	538,613
2022	250,000	93,403	343,403	100,000	46,313	46,313	92,625	536,028
2023	265,000	81,583	346,583	100,000	43,063	43,063	86,125	532,708
2024	280,000	69,008	349,008	125,000	39,813	39,813	79,625	533,633
2025	295,000	55,725	350,725	125,000	35,750	35,750	71,500	547,225
2026	310,000	41,449	351,449	125,000	31,688	31,688	63,375	539,824
2027	330,000	26,450	356,450	150,000	27,625	27,625	55,250	561,700
2028	215,000	10,213	225,213	150,000	22,750	22,750	45,500	420,713
2029	-	-	-	175,000	17,875	17,875	35,750	210,750
2030	-	-	-	175,000	12,188	12,188	24,375	199,375
2031	-	-	-	200,000	6,500	6,500	13,000	213,000
	<b>\$ 4,760,000</b>	<b>\$ 2,168,358</b>	<b>\$ 6,928,358</b>	<b>\$ 2,000,000</b>	<b>\$ 901,875</b>	<b>\$ 869,375</b>	<b>\$ 1,771,250</b>	<b>\$ 10,669,608</b>

\* Interest estimated at 6.50% solely for purpose of illustration.

**FINANCIAL STATEMENT**  
(Unaudited as of \_\_\_\_\_, 2011)

**Assessed Value – Table 4**

2010 Certified Assessed Valuation .....	\$70,592,034 <sup>(a)</sup>
Estimated Assessed Valuation as of January 15, 2011 .....	\$73,647,873 <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)	
District Debt .....	\$6,760,000 <sup>(c)</sup>
Ratio of Gross Debt to 2010 Certified Assessed Valuation.....	9.51%
Ratio of Gross Debt to Estimated Assessed Valuation as of January 15, 2011 .....	9.18%
Debt Service Fund Balance as of January 18, 2011 .....	\$490,234 <sup>(d)</sup>

Area of District: 838.48 acres  
Estimated Population as of \_\_\_\_\_, 2011: \_\_\_\_\_ <sup>(e)</sup>

- (a) Assessed valuation of the District as of January 1, 2010, certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."  
(b) As estimated by TCAD as of January 15, 2011 and is included solely for purposes of illustration. See "TAXING PROCEDURES."  
(c) Includes the Bonds.  
(d) Does not include approximately twenty-four months of capitalized interest which is projected to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.  
(e) Based upon 3.5 residents per completed and occupied single family home.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/03/87	Water, Sanitary Sewer & Drainage	\$32,000,000	\$8,095,000 <sup>(a)</sup>	\$23,905,000
Total		\$32,000,000	\$8,095,000	\$23,905,000

- (a) Includes the Bonds.

**Outstanding Bonds - Table 6**

**A. New Money Bonds**

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the issuance of the Bonds
12/01/98	Water, Sewer & Drainage	1998	\$ 1,425,000	\$ -
12/01/03	Water, Sewer & Drainage	2003	1,670,000	1,390,000
06/01/05	Water, Sewer & Drainage	2005	3,000,000	2,565,000
06/01/11	Water, Sewer & Drainage	2011	2,000,000	2,000,000 <sup>(a)</sup>
	Subtotal		\$ 8,095,000	\$ 5,955,000

**B. Refunding Bonds**

03/01/04	Refunding	2004	\$ 1,324,999	\$ 805,000
	Subtotal		\$ 1,324,999	\$ 805,000
	Total		\$ 9,419,999	\$ 6,760,000

- (a) The Bonds.

**Cash and Investment Balances (Unaudited as of January 18, 2011) - Table 7**

General Fund	\$278,181
Debt Service Fund	490,234 <sup>(a)</sup>
Capital Projects Fund	199,969

(a) Does not include approximately twenty-four months of capitalized interest which is projected to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.

**Investment Authority and Investment Practices of the District**

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or a branch office in the State of Texas, that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (6) above or in any other manner and amount provided by law for District deposits, and (b) certificates of deposit or share certificates issued by a depository institution that has its main office or a branch office in the State of Texas that participate in the Certificate of Deposit Account Registry Service (CDARS®); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Bond proceeds may additionally be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its

objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

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

#### **Current Investments - Table 8**

The District at January 18, 2011 is currently invested in Certificates of Deposit (\$325,000) and TexPool (\$628,969). This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Money Market Funds have not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of the Money Market Fund. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of January 18, 2011	
Certificates of Deposit	\$325,000
TexPool	<u>628,969</u>
Total Investments	\$953,969

*[The remainder of this page intentionally left blank]*

### Estimated 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 several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. 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 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 be determined. Political subdivision overlapping the District are authorized by State law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 604,569,978	01/1/2011	0.074%	\$ 447,538
Del Valle Independent School District	173,905,000	01/1/2011	2.485%	4,320,956
Travis County Healthcare District	(a)	01/1/2011	0.000%	-
Travis County ESD No. 8	(a)	01/1/2011	0.000%	-
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$4,768,494</b>
The District	\$ 6,760,000 <sup>(b)</sup>	01/1/2011	100.00%	<u>\$ 6,760,000</u>
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b><u>\$ 11,528,494</u></b>
Ratio of Estimated and Overlapping Debt to 2010 Certified Assessed Valuation				16.33%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of January 15, 2011				15.65%

(a) Has no tax supported debt outstanding.

(b) Includes the Bonds.

### Overlapping Taxes for 2010

Overlapping Entity	2010 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill <sup>(a)</sup>
Travis County	\$0.4658	\$ 456
Del Valle Independent School District	1.5300	1,498
Travis County Healthcare District	0.0719	70
Travis County ESD No. 8	0.1000	98
The District	<u>0.9100</u>	<u>891</u>
<b>Total</b>	<b><u>\$3.0777</u></b>	<b><u>\$ 3,014</u></b>

(a) Based upon the 2010 average single-family home value of \$97,928 as provided by TCAD.

# TAX DATA

Classification of Assessed Valuation (a) - Table 9

Type Property	2010		2009		2008	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 68,163,982	89.66%	\$ 82,096,641	90.88%	\$ 75,086,824	87.62%
Vacant Lots	723,969	0.95%	3,369	0.00%	214,727	0.25%
Acreage (Non-Ag)	409,277	0.54%	172,571	0.19%	262,231	0.31%
Acreage (Ag)	3,074,624	4.04%	3,264,143	3.61%	3,848,788	4.49%
Commercial Personal	32,306	0.04%	43,604	0.05%	47,783	0.06%
Utilities	10,830	0.01%	9,499	0.01%	10,000	0.01%
Farm & Ranch Improvements	170,514	0.22%	184,653	0.20%	184,653	0.22%
Residential Inventory	1,966,133	2.59%	2,741,220	3.03%	4,310,444	5.03%
Exempt Property	<u>1,474,234</u>	<u>1.94%</u>	<u>1,820,893</u>	<u>2.02%</u>	<u>1,728,554</u>	<u>2.02%</u>
Total	<u>\$ 76,025,869</u>	<u>100.00%</u>	<u>\$ 90,336,593</u>	<u>100.00%</u>	<u>\$ 85,694,004</u>	<u>100.00%</u>

(a) Reflects classification of assessed valuation as provided in the District's audited financial statements. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by TCAD.

Tax Collections - Table 10

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

Tax Year	Adjusted Assessed Valuation	Tax Rate	Tax Levy	Current Collections <sup>(a)</sup>		Total Collections <sup>(a)</sup>		Fiscal Year Ending
				Amount	%	Amount	%	
1997	\$ 9,498,229	0.7300	69,337	68,694	99.07%	68,694	99.07%	09/30/98
1998	14,278,638	0.7300	104,235	101,565	97.44%	101,565	97.44%	09/30/99
1999	18,952,644	0.7300	138,354	137,582	99.44%	137,800	99.60%	09/30/00
2000	24,737,299	0.7300	180,581	178,882	99.06%	179,649	99.48%	09/30/01
2001	27,887,911	0.7300	203,581	203,581	100.00%	206,635	101.50%	09/30/02
2002	37,463,116	0.7300	273,481	273,481	100.00%	273,643	100.06%	09/30/03
2003	37,711,849	0.7300	275,296	273,897	99.49%	273,897	99.49%	09/30/04
2004	43,835,263	0.7300	319,997	318,219	99.44%	319,618	99.88%	09/30/05
2005	47,814,799	0.7300	349,048	348,688	99.90%	350,466	100.41%	09/30/06
2006	59,847,121	0.7300	436,884	432,474	98.99%	432,834	99.07%	09/30/07
2007	69,376,054	0.7595	526,911	524,513	99.54%	527,759	100.16%	09/30/08
2008	80,076,795	0.7595	609,854	600,957	98.54%	602,466	98.79%	09/30/09
2009	83,888,005	0.7595	637,130	635,344	99.72%	642,306	100.81%	09/30/10
2010	70,592,034	0.9100	642,388	538,796	83.87%	538,796	83.87%	09/30/11 <sup>(b)</sup>

(a) Audited.

(b) Unaudited. Reflects tax collections through December 31, 2010. Taxes are due January 30, 2011.



**District Tax Rates - Table 11**

<b>Tax Rate per \$100 Assessed Valuation</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Debt Service	\$0.5939	\$0.5173	\$0.5662	\$0.6009	\$0.5759	\$0.5877	\$0.5560
Maintenance	<u>0.3161</u>	<u>0.2422</u>	<u>0.1933</u>	<u>0.1586</u>	<u>0.1541</u>	<u>0.1423</u>	<u>0.1740</u>
Total	<u>\$0.9100</u>	<u>\$0.7595</u>	<u>\$0.7595</u>	<u>\$0.7595</u>	<u>\$0.7300</u>	<u>\$0.7300</u>	<u>\$0.7300</u>

**Debt Service Tax**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. At an election held on November 3, 1987, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2010 maintenance and operations tax of \$0.3161/\$100 assessed valuation.

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided in the District's audited financial statements based on the 2010, 2009, and 2008 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

<b>Name</b>	<b>Type of Property</b>	<b>2010<sup>(b)</sup></b>	<b>2009<sup>(c)</sup></b>	<b>2008<sup>(d)</sup></b>
S.R. Development, Inc.	Land and Improvements	\$ 2,961,713	\$ 2,450,441	\$ 4,227,390
Lennar Homes of Texas	Land and Improvements	840,141	381,691	767,067
Secretary of Housing & Urban Development	Land and Improvements	645,485	747,001	649,302
Wells Fargo Bank	Land and Improvements	184,637	(a)	(a)
M C Joint Venture	Land and Improvements	182,396	(a)	220,305
BAC Home Loans Servicing LP	Land and Improvements	182,078	(a)	(a)
Secretary of Veterans Affairs	Land and Improvements	(a)	339,414	(a)
<b>Total</b>		<u>\$ 4,996,450</u>	<u>\$ 3,918,547</u>	<u>\$ 5,864,064</u>
<b>Percent of Assessed Valuation</b>		7.08%	4.67%	7.32%

(a) Not a top taxpayer for respective year.

(b) Excludes approximately \$413,413 in value of principal taxpayers' property representing homes owned by individuals.

(c) Excludes approximately \$1,080,467 in value of principal taxpayers' property representing homes owned by individuals.

(d) Excludes approximately \$1,084,193 in value of principal taxpayers' property representing homes owned by individuals

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## Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2010 Certified Assessed Valuation and the Estimated Assessed Valuation as of January 15, 2011, and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds (at an estimated interest rate of 6.50% per annum). No available debt service funds are reflected in these computations. See "RISK FACTORS - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2012 through 2027) .....	\$575,221
\$0.86 Tax Rate on 2010 Certified Assessed Valuation of \$70,592,034 @ 95% collections produces .....	\$576,737
\$0.83 Tax Rate on Estimated Assessed Valuation as of January 15, 2011 of \$73,647,873 @ 95% collections produces .....	\$580,713
Projected Maximum Annual Debt Service Requirements on the Bonds (2012).....	\$640,356
\$0.96 Tax Rate on 2010 Certified Assessed Valuation of \$70,592,034 @ 95% collections produces .....	\$643,799
\$0.92 Tax Rate on Estimated Assessed Valuation as of January 15, 2011 of \$73,647,873 @ 95% collections produces .....	\$643,682

## Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/11 .....	\$452,231 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/2010.....	\$142,751 <sup>(b)</sup>
Capitalized Interest .....	\$260,000 <sup>(c)</sup>
2010 Tax Levy @ 95% collections produces .....	<u>\$398,284 <sup>(d)</sup></u>
Total Available for Debt Service.....	<u>\$801,035</u>

(a) Interest payments on the Bonds begin September 1, 2011.

(b) Audited debt service fund balance as of September 30, 2010.

(c) Approximately twenty-four months of capitalized interest, projected to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.

(d) The District levied a 2010 debt service tax rate of \$0.5939.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations 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 Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - District Bond Tax Rate Limitation," and "TAX DATA - Maintenance Tax."

### 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 herein.

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 the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. TCAD has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

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

*General...* Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District is subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interests with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries; farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

*Residential Homestead...* The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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

*Goods-in-Transit...* 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 provisions permit 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. The District has not taken action to tax goods-in-transit.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally 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. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The chief appraiser uses the method he or she considers the most appropriate. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

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 fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. 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 TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the TCAD 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 TCAD chooses formally to 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 TCAD to compel compliance with the Property Tax Code.

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection 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 based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

#### **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 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 rate 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.

#### **District's Rights In The Event Of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2010". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. 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 residential homestead property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records other property may be redeemed by a taxpayer within 180 days of such filing) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections and Foreclosure Remedies."

#### **Effect of FIRREA on Tax Collections**

FIRREA contains 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 FDIC when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See "RISK FACTORS - The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

## **LEGAL MATTERS**

### **Legal Opinions**

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

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") interest on the Bonds (i) will be excludable from the "gross income" of the holders thereof for federal income tax purposes and (ii) will not be treated as a "preference item" in calculating the alternative minimum tax imposed on individuals and corporations under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code") and will not be includable in the adjusted current earnings of corporations under Section 56(g) of the Code for purposes of calculating the alternative minimum tax imposed on such corporations. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B -- Form of Bond Counsel Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no

assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

#### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

#### **Collateral Federal Income Tax Consequences**

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

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

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

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

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

#### **State, Local and Foreign Taxes**

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

#### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of 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 also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of registered owners; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. 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 from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Material Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

## **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 registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

*This continuing disclosure agreement 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 (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.*

## **Compliance With Prior Undertakings**

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.

## **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Southwest Securities (the "Financial Advisor"), which firm was employed in 1997 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has requested the right to bid on the Bonds, and the District has given its consent.

## **OFFICIAL STATEMENT**

### **Preparation**

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT". The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in the preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:



"THE DISTRICT - SR Development (the "Developer"), Schroeder Engineering Company (the "Engineer"); "THE DEVELOPER" - SR Development; "THE DISTRICT - City of Austin Consent Agreement" Armbrust & Brown, PLLC; "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT" - Travis Central Appraisal District; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "WATER AND SEWER OPERATIONS" - Audits, Records of the District and Tax Assessor/Collector; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAXING PROCEDURES," and "TAX MATTERS" - McCall, Parkhurst & Horton L.L.P.

#### **Consultants**

In approving this Official Statement, the District has relied upon the following consultants.

**The Engineer:** The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Schroeder Engineering Company and has been included in reliance upon the authority of said firm in the field of civil engineering.

**Appraisal District:** The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Travis Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE BONDS – Issuance of Additional Debt" (last two paragraphs), "THE DISTRICT – Historical and Current Status of Development" and "THE DEVELOPER" has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in Appendix A, has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

#### **Updating the Official Statement During Underwriting Period**

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate on the 25<sup>th</sup> day after the date that the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

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

The District, acting by and through its Board of Directors in its official capacity in reliance upon the consultants and sources 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, description 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. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds shall not be the responsibility of the District.

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

For purposes of compliance with Rule 15c(2)-12 of the Securities Exchange Commission, 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 15c(2)-12.

**Annual Audits**

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

This Official Statement was approved by the Board of Directors of Moore’s Crossing Municipal Utility District, as of the date shown on the first page hereof.

/s/ \_\_\_\_\_  
Michelle Bolin  
Secretary, Board of Directors

/s/ \_\_\_\_\_  
Charles H. Scott  
President, Board of Directors

## **PHOTOGRAPHS**

The following photographs were taken in the District in \_\_\_\_\_ 2011. The homes and commercial establishments shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

**APPENDIX A**  
**Audited Financial Statements**

The information contained in this appendix has been excerpted from the audited financial statements of Moore's Crossing Municipal Utility District for the fiscal year ended September 30, 2010. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**APPENDIX B**  
**Form of Bond Counsel Opinion**



**OFFICIAL NOTICE OF SALE**

**\$2,000,000**

**MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

**UNLIMITED TAX BONDS, SERIES 2011**

**Bids Due: \_\_\_\_\_, \_\_\_\_\_ 2011 at \_\_\_\_\_ A.M. C.S.T.**

The Bonds are obligations solely of Moore's Crossing Municipal Utility District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas or any entity other than the District.

THE DISTRICT IS EXPECTED TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**THE SALE**

**Bonds Offered for Sale at Competitive Bidding . . .** Moore's Crossing Municipal Utility District (the "District") is offering for sale \$2,000,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"). Bids may be submitted by either of three alternative procedures: (i) sealed written bids; (ii) electronic bids, or (iii) facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Southwest Securities, assumes any responsibility or liability for a prospective bidding procedure.

The District and Southwest Securities assume no responsibility or liability with respect to any irregularities associated with the submission of electronic bids.

Southwest Securities will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

**Procedure Number 1: Sealed, Written Bids Delivered in Person. . .** Sealed bids, plainly marked "Bid for Bonds," should be addressed to the "Board of Directors of Moore's Crossing Municipal Utility District", and if delivered in person, delivered to Cheryl Allen, Southwest Securities, 701 Brazos Street, Suite 400, Austin, Texas 78701, by 11:00A.M., C.S.T., on the date of the bid opening. All bids must be submitted on the "Official Bid Form" without alteration or interlineations. Copies of the Official Bid Form accompany the Preliminary Official Statement.

**Procedure Number 2: Electronic Bidding Procedures. . .** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY between 10:00 A.M., C.S.T. and 11:00A.M., C.S.T., on the date of the bid opening.

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. 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, (212) 404-8102.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to PARITY.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided 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 Southwest Securities nor the District 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 the sole risk of the prospective bidder.

**All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form. If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.**

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the District, as described under "Basis of Award" below.

**The District and Southwest Securities will not be responsible for submitting any bids received after the above deadlines.**

**Procedure Number 3: Bids by Facsimile . . .** Bidders that choose to exercise the facsimile bidding options must submit their bid by facsimile on the date of the sale. Any bids received by facsimile will be attached to the signed Official Bid Form if previously submitted.

Facsimile bids to the attention of Cheryl Allen will be accepted at (512) 320-5865, between 10:00 A.M. and 11:00A.M., C.S.T on the date of the bid opening.

The District and Southwest Securities are not responsible if such facsimile number is busy or malfunctioning which prevents a bid or bids from being submitted on a timely basis. **The District and Southwest Securities will not be responsible for submitting any bids received after the above deadlines.** The District and Southwest Securities assume no responsibility or liability with respect to any irregularities associated with the submission of bids if the facsimile bid options are exercised.

**Signed Official Bid Forms . . .** The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and, if it has not previously done so, the winning bidder must submit a fax of a Signed Official Bid Form in connection with the sale by 11:30 A.M. C.D.S. T. on \_\_\_\_\_, \_\_\_\_\_, 2011 to Cheryl Allen, Southwest Securities, (512) 320-5865.

**Place and Time of Bid Opening . . .** The Board will publicly review bids for the purchase of the Bonds at the designated meeting place outside the boundaries of the District, at Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701 at 12:00 Noon, C.S.T.

**Award of Bonds . . .** The District will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds, the District will also adopt the resolution authorizing issuance of the Bonds (the "Bond Resolution") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

**Withdrawal of the Bids . . .** Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for three hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

**Extension of Sale Date . . .** The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, C.S.T, on \_\_\_\_\_, \_\_\_\_\_, 2011, of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

## THE BONDS

**Description of Bonds . . .** The Bonds will be dated May 1, 2011 and interest on the Bonds will be payable September 1, 2011, and semiannually thereafter on March 1 and September 1 until maturity or earlier redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Paying Agent").

The Bonds mature serially on September 1 in the years and amounts shown below.

Principal Amount	Year of Maturity	Principal Amount	Year of Maturity
\$ 25,000	2012	\$ 100,000	2022
25,000	2013	100,000	2023
50,000	2014	125,000	2024
50,000	2015	125,000	2025
50,000	2016	125,000	2026
50,000	2017	150,000	2027
75,000	2018	150,000	2028
75,000	2019	175,000	2029
75,000	2020	175,000	2030
100,000	2021	200,000	2031

The District reserves the right to redeem prior to maturity those Bonds maturing on September 1 in each of the years 2018 through 2031, both inclusive, in whole or from time to time in part on September 1, 2017, or any date thereafter, in integral multiples of \$5,000 at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot.

**Bidders have the right to designate one or more maturity dates for the Bonds on or after September 1, 2024 as serial or term bonds.** No maturity of any serial bond shall be scheduled to occur on or after the date of the first sinking fund installment on any term bond. No sinking fund installment with respect to any term bond shall be due on or prior to the date of the final maturity of any earlier maturity term bond. The



amount of term bonds, if any, maturing on each maturity date shall be equal to the sum of (1) the installment specified above for such maturity date and (2) the installments specified above preceding such date (and subsequent to any earlier final maturity date of another specified term bond, and the term bonds of such maturity shall be retired utilizing such installments and sinking fund installments at par plus accrued interest). If and to the extent the successful bidder specifies for the Bonds a maturity date or dates of September 1, 2023 and consecutive subsequent years, the District will issue such Bonds as serial bonds maturing on such date or dates in amounts in accordance with the foregoing respective schedules. The balance of such Bonds, if any, shall be issued as term bonds as designated by the successful bidder.

**Successor Paying Agents . . .** The Paying Agent may be removed from its duties as Paying Agent with or without cause by action of the Board of Directors of the District upon thirty (30) days notice to be effective at such time which will not disrupt orderly payment on the next principal or interest payment date, but no such removal shall become effective until a successor Paying Agent has accepted the duties of the Paying Agent by written instrument. Every Paying Agent appointed by the Board of Directors must be a competent and legally qualified bank, trust company, financial institution or other agency qualified to act as and perform the services as Paying Agent.

**Source of Payment . . .** The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount.

**Other Terms and Covenants . . .** Other terms of the Bonds and various covenants of the District contained in the Bond Resolution under which the Bonds are to be issued are described in the Preliminary Official Statement, to which reference is made for all purposes.

**Book-Entry-Only System . . .** The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.

**Municipal Bond Ratings and Insurance . . .** No application has been made to a rating service, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made. Similarly, no application has been made to qualify the bonds for municipal bond insurance.

## **CONDITIONS OF SALE**

**Types of Bids and Interest Rates . . .** The Bonds will be sold in one block, all or none, and no bid of less than 97% of par value plus accrued interest to the date of delivery will be considered. Bidders must specify the rate or rates of interest the Bonds will bear. The difference between the highest interest rate bid and the lowest interest rate bid shall not exceed 2%. Interest rates must be in multiples of 1/8th or 1/20th of 1%. Any number of interest rates and rate changes may be named, but graduating or declining interest rates within a maturity, split interest rates within a maturity, or supplemental or zero interest rates will not be acceptable.

**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 rate or rates specified, 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 right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest interest cost to the District. In the event of mathematical discrepancies between the interest rates and the interest cost determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

**Good Faith Deposit . . .** Each bid must be accompanied by a Bank cashier's check payable to the order of "Moore's Crossing Municipal Utility District" in the amount of \$40,000 which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained uncashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Initial Purchaser uncashed. If the Initial Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form 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 a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

**Financial Advisor's Reservation of Rights . . .** The District's Financial Advisor, Southwest Securities, has requested the right to bid on the Bonds, and the District has given its consent.

## OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC").

**Final Official Statement . . .** The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the purchase of municipal bond insurance, if any, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. 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. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(c)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT - Certification as to Official Statement."

**Changes to Official Statement During Underwriting Period . . .** If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 15c2-12 of the Federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." The obligation of the District to update or change the Official Statement will terminate on the 25<sup>th</sup> day after the date that the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

**Delivery of Official Statements . . .** The District will furnish to the Initial Purchaser (and to each other participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 250 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above in "OFFICIAL STATEMENT - Changes to Official Statement During Underwriting Period" as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 25th day after the "end of the underwriting period" within the meaning of the Rule. The District will pay the expense of preparing up to 250 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

**Rule G-36 Requirements . . .** It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board's Rule G-36 within the required time frame. The Initial Purchaser must send two copies of the "Official Statement" along with two complete Form G-36's to the appropriate address.

## DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

**Delivery . . .** The Bonds will be tendered to the Initial Purchaser as a single typewritten, photocopied or otherwise reproduced bond in fully registered form in the aggregate principal amount of \$2,000,000 payable in installments to the Initial Purchaser or its representative as designated in the Official Bid Form, manually signed by the President and Secretary of the Board of Directors, or executed by the facsimile signatures of the President and Secretary of the Board of Directors, and approved by the Attorney General of the State and registered and manually signed by the Comptroller of Public Accounts of the State of Texas. Initial delivery will be at the designated office for payment of the Paying Agent in Austin, 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 Initial Purchaser will be given five business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about \_\_\_\_\_, \_\_\_\_\_, 2011, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds not later than 11:00a.m., C.S.T., on \_\_\_\_\_, \_\_\_\_\_, 2011 or thereafter on the date the Bonds are tendered for delivery up to and including \_\_\_\_\_, \_\_\_\_\_, 2011. If for any reason the District is unable to make delivery on or before \_\_\_\_\_, \_\_\_\_\_, 2011, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend his offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend their offer within five (5) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

**DTC Definitive Bonds . . .** The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co. as the nominee for DTC. All reference herein and in the Official Statement to the bondholders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of \$5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, 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 definitive printed obligations of like principal amount.

**CUSIP Numbers . . .** It is anticipated that CUSIP identification numbers will be printed or otherwise reproduced on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

**Conditions to Delivery . . .** The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas and the legal opinion of Freeman & Corbett, Austin, Texas, Bond Counsel for the District ("Bond Counsel"), the no-litigation certificate, all described below, and the non-occurrence of the events described below under "No Material Adverse Change" and no appeal of the TCEQ order. See "TCEQ Approval" below. In addition, if the District fails to comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**Legal Opinions . . .** The District will furnish the Initial Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The District also will furnish the legal opinion of McCall, Parkhurst & Horton L.L.P. Bond Counsel, to the effect that, based upon an examination of such transcript, (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, (2) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against taxable property within the District and (3) pursuant to the Internal Revenue Code of 1986, (the "Code") then in effect and existing regulations, published rulings, and court decisions thereunder and assuming continuing compliance by the District with the provisions of the Bond Order, the interest on the Bonds is excludable from the gross income, and will not be subject to the alternative minimum tax on individuals for federal income tax purposes. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. Neither the opinion of the Attorney General nor the opinion of Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

**Certification of Issue Price . . .** 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, relating to the exemption of interest on the Bonds from the gross income of their owners, the Initial Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to the "issue price" of the Bonds substantially in the form accompanying this "Notice of Sale" of the Bonds. In the event the successful bidder will not re-offer 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 approved by the District and Special Tax Counsel. 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 Initial Purchaser 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. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.

**Qualified Tax-Exempt Obligations for Financial Institutions . . .** Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligation, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price

to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

**No Material Adverse Change . . .** The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the conditions that to the time of delivery of and receipt of payment for the Bonds, there shall have been (i) no material adverse change in the conditions of the District from those set forth in or contemplated by the Official Statement, as it may have been supplemented or amended through the date of sale, and (ii) the credit enhanced rating of the Bonds is not less than "AA" or its equivalent by virtue of a municipal bond guaranty insurance policy purchased by and at the expense of the Initial Purchaser.

**No-Litigation Certificate . . .** On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officers' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers and directors of the District.

**TCEQ Approval . . .** The Texas Commission on Environmental Quality ("TCEQ") approved the issuance of the Bonds by an order dated June 24, 2010. Pursuant to State law, certain interested parties have 30 days from the date of the TCEQ Order to appeal such action. Delivery of the Bonds is conditioned upon no appeal being filed on the TCEQ Order.

### CONTINUING DISCLOSURE

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

### GENERAL CONSIDERATIONS

**Future Registration . . .** The Bonds are transferred, registered and exchanged only on the registration books of the Paying Agent, and such registration shall be at the expense of the District though the District or Paying Agent may require payment by an owner of the Bonds requesting a transfer or exchange of Bonds of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Paying Agent accompanied by a written instrument of transfer acceptable to the Paying Agent duly executed by the registered owner thereof or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Paying Agent, the District shall execute and the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination, and of a like aggregate principal amount.

**Record Date . . .** The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month (whether or not a business day) next preceding such interest payment date.

**Record Date for Bonds to be Redeemed . . .** Neither the District nor the Paying Agent shall be required (1) to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal on interest payment date or (2) to transfer or exchange, in whole or in part, any Bond or any portion thereof selected for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

**Risk Factors . . .** The Bonds involve certain Risk Factors and all prospective bidders are urged to examine carefully the Preliminary Official Statement with respect to the Risk Factors associated with the Bonds. Particular attention should be given to the information set forth therein under the caption "RISK FACTORS."

**Reservation of Rights . . .** The District reserves the right to reject any and all bids and 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

**Registration and Qualification Under Securities Laws . . .** The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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.

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with

the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service of process in any jurisdiction.

**Copies of Documents** . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, Audits, and the pro forma Bond Resolution may be obtained at the offices of Southwest Securities, 701 Brazos Street, Suite 400, Austin, Texas 78701, Financial Advisor to the District.

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Charles H. Scott  
President,  
Board of Directors

DATE: \_\_\_\_\_, 2011 .

# **OFFICIAL BID FORM**

President and Board of Directors  
 Moore's Crossing Municipal Utility District  
 c/o Southwest Securities  
 701 Brazos, Suite 400  
 Austin, Texas 78701

Directors:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of Moore's Crossing Municipal Utility District (the "District") relating to its \$2,000,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), which by reference are made a part hereof. We recognize the special Risk Factors involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Resolution, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$\_\_\_\_\_ (which represents \_\_\_\_\_% of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

<b>Maturity (September 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Maturity (September 1)</b>	<b>Amount</b>	<b>Interest Rate</b>
2012	\$ 25,000	_____	2022*	\$ 75,000	_____
2013	25,000	_____	2023*	75,000	_____
2014	50,000	_____	2024*	75,000	_____
2015	50,000	_____	2025*	75,000	_____
2016	50,000	_____	2026*	75,000	_____
2017	50,000	_____	2027*	100,000	_____
2018*	50,000	_____	2028*	100,000	_____
2019*	50,000	_____	2029*	100,000	_____
2020*	50,000	_____	2030*	125,000	_____
2021*	75,000	_____	2031*	125,000	_____

\* The District reserves the right to redeem, prior to maturity, those Bonds maturing September 1, 2018 through 2031, both inclusive in whole or from time to time in part on September 1, 2017 or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

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

Total Interest Cost..... \$ \_\_\_\_\_

Plus: Cash Discount..... \$ \_\_\_\_\_

Net Interest Cost..... \$ \_\_\_\_\_

Net Effective Interest Rate..... %

The mandatory sinking fund installments checked above, if any, shall be applied for the redemption of term bonds maturing as follows:

<b>Term Bond Maturity Date September 1</b>	<b>Year of First Mandatory Redemption</b>	<b>Principal Amount of Term Bond</b>	<b>Interest Rate</b>
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%

The initial bonds shall be registered in the name of \_\_\_\_\_ (syndicate manager). We will advise the office of BOKF, N.A., dba Bank of Texas, the Registrar, on forms to be provided by the Registrar, of our registration instructions at least five business days prior to the date set for initial delivery of Bonds on the closing date. We will not ask the Registrar to accept any registration instructions after the five day period for delivery of Bonds on the closing date.

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas and payable to your order in the amount of \$40,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the 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 of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us. We hereby represent that sale of the Bonds in states 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 of the states in which the Bonds are offered or sold.

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 and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. The undersigned further agrees to provide in writing the initial reoffering prices and other term, if any, to Southwest Securities by the close of the next business day after the award.

(Syndicate members, if any)

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

Respectfully submitted,

\_\_\_\_\_

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

(Authorized Representative)

Phone Number: \_\_\_\_\_

#### ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by Moore's Crossing Municipal Utility District this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

ATTEST:

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

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

# BOND YEARS

Interest Accrues From: May 1, 2011

Due: September 1

Year	Amount	Bond Years	Cumulative Bond Years	Year
2012	\$ 25,000	33.3333	33.3333	2012
2013	25,000	58.3333	91.6667	2013
2014	50,000	166.6667	258.3333	2014
2015	50,000	216.6667	475.0000	2015
2016	50,000	266.6667	741.6667	2016
2017	50,000	316.6667	1,058.3333	2017
2018	75,000	550.0000	1,608.3333	2018
2019	75,000	625.0000	2,233.3333	2019
2020	75,000	700.0000	2,933.3333	2020
2021	100,000	1,033.3333	3,966.6667	2021
2022	100,000	1,133.3333	5,100.0000	2022
2023	100,000	1,233.3333	6,333.3333	2023
2024	125,000	1,666.6667	8,000.0000	2024
2025	125,000	1,791.6667	9,791.6667	2025
2026	125,000	1,916.6667	11,708.3333	2026
2027	150,000	2,450.0000	14,158.3333	2027
2028	150,000	2,600.0000	16,758.3333	2028
2029	175,000	3,208.3333	19,966.6667	2029
2030	175,000	3,383.3333	23,350.0000	2030
2031	200,000	4,066.6667	27,416.6667	2031

Total Bond Years: 27,416.6667  
Average Maturity: 13.708333 years



### CERTIFICATE OF ISSUE PRICE

The undersigned hereby certifies with respect to the sale of the Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series 2011 (the "Bonds"), issued in the aggregate principal amount of \$2,000,000, as follows:

1. The undersigned is the duly authorized representative of the purchaser (the "Purchaser") of the Bonds from Moore's Crossing Municipal Utility District (the "Issuer").
2. All of the Bonds have been offered to members of the public in a bona fide initial offering. For purposes of this Certificate, the term "public" does not include any bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers (including the Purchaser or members of the selling group or persons that are related to, or controlled by, or are acting on behalf of or as agents for the undersigned or members of the selling group).
3. Each maturity of the bonds was offered to the public at a price which, on the date of such offering, was reasonably expected by the Purchaser to be equal to the fair market value of such maturity.
4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturity" or "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below:

Principal Amount at Maturity	Maturity	Price / Yield	Principal Amount at Maturity	Maturity	Price / Yield
\$ 25,000	2012	_____	\$ 100,000	2022	_____
25,000	2013	_____	100,000	2023	_____
50,000	2014	_____	125,000	2024	_____
50,000	2015	_____	125,000	2025	_____
50,000	2016	_____	125,000	2026	_____
50,000	2017	_____	150,000	2027	_____
75,000	2018	_____	150,000	2028	_____
75,000	2019	_____	175,000	2029	_____
75,000	2020	_____	175,000	2030	_____
100,000	2021	_____	200,000	2031	_____

5. In the case of the Retained Maturities, the Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount at Maturity	Maturity	Price / Yield	Principal Amount at Maturity	Maturity	Price / Yield
\$ 25,000	2012	_____	\$ 100,000	2022	_____
25,000	2013	_____	100,000	2023	_____
50,000	2014	_____	125,000	2024	_____
50,000	2015	_____	125,000	2025	_____
50,000	2016	_____	125,000	2026	_____
50,000	2017	_____	150,000	2027	_____
75,000	2018	_____	150,000	2028	_____
75,000	2019	_____	175,000	2029	_____
75,000	2020	_____	175,000	2030	_____
100,000	2021	_____	200,000	2031	_____

6. Based on the foregoing, the aggregate of such initial offering price of all of the Bonds is \$ \_\_\_\_\_ (the "Issue Price"), which price includes pre-issuance accrued interest in the amount of \$ \_\_\_\_\_.

7. The Purchaser understands that the statements made herein will be relied upon, by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, and by Bond Counsel in rendering their opinion that the interest on the Bonds is excludable from the gross income of the owners thereof.

EXECUTED AND DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
(PURCHASER)

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

Title: \_\_\_\_\_