

RESOLUTION NO. 20120802-067

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

Council authorizes the Moore's Crossing Municipal Utility District (District) to issue in one or more series its Unlimited Tax Refunding Bonds, Series, 2012, in a principal amount not to exceed \$3,835,000, and approves a substantial draft of the District's Bond Order (Exhibit 1) and the Preliminary Official Statement (Exhibit 2). All series of the bonds must be issued by August 2, 2013, and the final maturity for each series of bonds cannot extend beyond September 1, 2031.

ADOPTED: August 2, 2012

ATTEST:

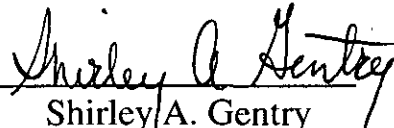

Shirley A. Gentry
City Clerk

EXHIBIT 1

CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT §

We, the undersigned officers of the Board of Directors of Moore's Crossing Municipal Utility District, (the "District") hereby certify as follows:

1. The Board of Directors of the District convened in a REGULAR MEETING ON THE 19TH DAY OF JUNE, 2012, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

Charles H. Scott – President
Ann Carroll – Vice President
Michelle Bolin – Secretary
Gregory D. Schroen – Treasurer
John Foradory – Assistant Secretary/Treasurer

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**ORDER AUTHORIZING THE ISSUANCE OF MOORE'S CROSSING
MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING
BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE
BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING
THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT
AND AN ESCROW AGREEMENT; ESTABLISHING PROCEDURES FOR
SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER
MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

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

AYES: 5


NOES: 0

2. A true, full and correct copy of the aforesaid Resolution passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Resolution has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Resolution; that the persons named in the above and foregoing

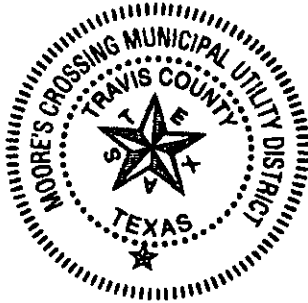
paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Resolution would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

SIGNED AND SEALED this 19th day of June, 2012.


Secretary, Board of Directors


President, Board of Directors

(SEAL)



ORDER AUTHORIZING THE ISSUANCE OF MOORE'S CROSSING MUNICIPAL
UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS; LEVYING AN AD
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Exhibit "C"	Form of Notice of Redemption
Exhibit "D"	Continuing Disclosure Undertaking

THE STATE OF TEXAS §
COUNTY OF TRAVIS §
MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT §

WHEREAS, Chapter 1207 authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Bonds or eligible trust company or commercial bank, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

WHEREAS, Chapter 1207 further authorizes the District to enter into an escrow agreement with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such escrow agent may agree, provided that such deposits may be invested and reinvested in Defeasance Securities, as defined herein; and

WHEREAS, the Escrow Agreement hereinafter authorized, constitutes an agreement of the kind authorized and permitted by said Chapter 1207; and

WHEREAS, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve a net present value debt service savings of not less than 4.25% of the principal amount of the Refunded Bonds net of any District contribution with such savings, among other information and terms to be included in a Pricing Certificate to be executed by the Pricing Officer, both as hereinafter defined, all in accordance with the provisions of Chapter 1207, including Section 1207.007 thereof; and

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 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 Order, except in Article Six, and in any resolution, order 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:

"Accreted Value" shall mean, with respect to a Premium Compound Interest Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Pricing Certificate and the Accretion Table attached as an exhibit to the Pricing Certificate relating to the Bonds that shows the Accreted Value per \$5,000 maturity amount on the calculation date of maturity to its maturity.

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

"Authorized Investments" means such investments authorized pursuant to the investment policy of the District and Chapter 2256 of the Government Code, as amended.

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

"Bond Insurer" means the insurer of the bonds, if any, as designated in the Pricing Certificate.

"Bonds" shall mean and include collectively the Premium Compound Interest Bonds and Current Interest Bonds initially issued and delivered pursuant to this Order and the Pricing Certificate and all substitute Bonds and 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 Order of the Board of Directors authorizing the issuance of the Bonds.

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

"Current Interest Bonds" shall mean the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Pricing Certificate.

"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.

"Escrow Agent" means BOKF, NA dba Bank of Texas, Austin, Texas or any successors escrow agent under the Escrow Agreement.

"Escrow Agreement" means the agreement by and between the District and the Escrow Agent relating to the defeasance of the Refunded Bonds.

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

"Federal Securities" as used herein 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 Section 3.02 of this Bond Order.

"Interest Payment Date" means a date on which interest on the Bonds is due and payable as set forth in the Pricing Certificate.

"Issuance Date" means the date of closing and delivery of the Bonds.

"Maturity Amount" means The Compounded Amount of a Capital Appreciation Bond due on its Maturity.

"MSRB" means the Municipal Securities Rulemaking Board.

"Outstanding" when used with reference to Bonds, means, as of a particular date, all Bonds theretofore and thereupon delivered except: (a) any Bond canceled by or on behalf of the District at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of this Order or otherwise defeased as permitted by applicable law and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to this Order.

"Outstanding Bonds" means the District's outstanding Unlimited Tax Bonds, Series 2003, dated October 1, 2003, issued in the original principal amount of \$1,670,000, the District's outstanding Unlimited Tax General Obligation Refunding Bonds, Series 2004, dated March 1, 2004, issued in the original principal amount of \$1,324,999.45, the District's outstanding Unlimited Tax Bonds, Series 2005, dated June 1, 2005, issued in the original principal amount of \$3,000,000 and the District's outstanding Unlimited Tax Bonds, Series 2011, dated October 1, 2011, issued in the original principal amount of \$2,000,000.

"Premium Compound Interest Bonds" shall mean the Bonds on which no interest is paid prior to maturity, maturing in various amounts and in the aggregate principal amount as set forth in the Pricing Certificate.

"Pricing Certificate" means the Pricing Certificate of the District's Pricing Officer to be executed and delivered pursuant to Section 3.02 hereof in connection with the Bonds.

"Pricing Officer" means the President of the District's Board of Directors or in his or her absence the Treasurer, acting as the designated pricing officer of the District to execute the Pricing Certificate.

"Record Date" means the 15th day of the month next preceding each Interest Payment Date, 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.

"Refundable Bonds" means the outstanding Series 2003 Bonds, Series 2004 Bonds, Series 2005 Bonds and Series 2011 Bonds.

"Refunded Bonds" means those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate to be refunded.

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

"Registrar" or "Paying Agent/Registrar" means BOKF, NA dba Bank of Texas, 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.

"Registration Books" means the books and records kept and maintained by the Paying Agent/Registrar relating to the registration, transfer, exchange and payment of the Bonds and the interest thereon.

"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.

"Series 2003 Bonds" means the Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series 2003 issued in the original aggregate principal amount of \$1,670,000.

"Series 2004 Bonds" means the Moore's Crossing Municipal Utility District Unlimited Tax General Obligation Refunding Bonds, Series 2004 issued in the original aggregate principal amount of \$1,324,999.45.

"Series 2005 Bonds" means the Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series 2005 issued in the original aggregate principal amount of \$3,000,000.

"Series 2011 Bonds" means the Moore's Crossing Municipal Utility District Unlimited Tax Bonds, Series 2011 issued in the original aggregate principal amount of \$2,000,000.

"Series" means each series of Bonds issued, from time to time, pursuant to this Order.

"System" means the water system, sanitary sewer system, and drainage and storm sewer system of 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.

"Underwriter" means the initial purchasers of the Bonds.

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: "MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING BOND," and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$6,525,000 for the purpose of refunding the Refunded Bonds and paying certain costs of issuing the Bonds. The title of each of the Bonds shall be designated by the year in which it is awarded pursuant to Section 3.02 below. The authority of the Pricing Officer to execute and deliver a Pricing Certificate shall expire at 5:00 p.m. C.S.T. on December 19, 2012. Bonds priced on or before 5:00 p.m. C.S.T. on December 19, 2012 may be delivered to the initial purchaser after such date.

SECTION 3.02. DATE, DENOMINATIONS, NUMBERS, DELEGATION TO PRICING OFFICER.

(a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Compound Interest Bonds, numbered consecutively from R-1 upward, in the case of Current Interest Bonds, and from PC-1 upward, and in the case of Premium Compound Interest Bonds (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof, in the denomination of \$5,000 or any integral multiple thereof with respect to Current Interest Bonds and in the denomination of \$5,000 in Maturity Amount or any integral multiple thereof with respect to Premium Compound Interest Bonds (each an "Authorized Denomination"), maturing not later than September 1, 2031, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Order and shall be filed in the minutes of the Board as a part of this Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Order and carrying out the other procedures specified in this Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Compound Interest Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium Compound Interest Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a present value debt service savings of at least 4.25%, net of any District contribution. In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 3.01, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds.

In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Board of Directors hereby determines that the delegation of the authority to the Pricing Officer to approve the method of sale and final terms and conditions of the Bonds as set forth in this Order is, and the decisions made by the Pricing Officer pursuant to such delegated authority and incorporated in the Pricing Certificate will be, in the District's best interests and shall have the same force and effect as if such determination were made by the Board of Directors, and the Pricing Officer is hereby authorized to make and include in the Pricing Certificate an appropriate finding to that effect.

(c) To achieve advantageous borrowing costs for the District, the Bonds shall be sold on a negotiated, placement or competitive basis as determined by the Pricing Officer in the Pricing Certificate. In determining whether to sell the Bonds by negotiated, placement or competitive sale, the Pricing Officer shall take into account any material disclosure issues which might exist at the time, the market conditions expected at the time of the sale and any other matters which, in the judgment of the Pricing Officer, might affect the net borrowing costs on the Bonds.

If the Pricing Officer determines that the Bonds should be sold at a competitive sale, the Pricing Officer shall cause to be prepared a notice of sale and official statement in such manner as the Pricing Officer deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale.

If the Pricing Officer determines that the Bonds should be sold by a negotiated sale or placement, the Pricing Officer shall designate the placement purchaser or the senior managing underwriter for the Bonds and such additional investment banking firms as the Pricing Officer deems appropriate to assure that the Bonds are sold on the most advantageous terms to the District. The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a purchase agreement or other agreement for the Bonds to be sold by negotiated sale or placement, with the underwriters or placement purchasers at such price, with and subject to such terms as determined by the Pricing Officer pursuant to Section 3(b) above.

(d) The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in this Order to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

The Premium Compound Interest Bonds shall bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Pricing Certificate (the "Compounding Dates") commencing on the date set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bonds at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate, if Premium Compound Interest Bonds are to be issued, shall be an Exhibit (the "Accretion Table") that will set forth the rounded original principal amounts at the Issuance Date for the Premium Compound Interest Bonds and the Accreted Values and Maturity Amounts thereof (per \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Pricing Certificate, and continuing until the final maturity of such Premium Compound Interest Bonds. The Accreted Value with respect to any date other than a Compounding Date is the amount set forth on the Accretion Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Accretion Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears

to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

SECTION 3.03. RESERVED.

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 office for payment of the Registrar. The interest on each Bond shall be payable on as set forth in the Pricing Certificate by check or draft 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 not a Business Day, then the date for such payment shall be the next succeeding Business Day, 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 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 ("Comptroller"), 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.

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 a 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.

SECTION 4.04. BOOK-ENTRY-ONLY SYSTEM. (a) Book-Entry-Only System. The Bonds issued in exchange for the Initial Bond issued 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 Registration Books, 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 Registration Books 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 Registration Books 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 Registration Books 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 Registration Books, 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 Registration Books 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 Letter of Representations of the District to DTC.

(d) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered bond, being one Bond, and the Initial Bond shall be registered in the name of the Underwriter or the designees thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the

Comptroller of Public Accounts of the State of Texas and delivered to the Underwriter. Immediately after the delivery of the Initial Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds 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 DTC and except as provided in Section 3.02, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 5.01. **REDEMPTION OF BONDS.** The Bonds are subject to redemption as set forth in the Pricing Certificate.

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 and the Pricing Certificate. 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 REFUNDING BOND
SERIES _____***

[FORM OF FIRST PARAGRAPHS OF CURRENT INTEREST BONDS]

NO. R-__

**PRINCIPAL
AMOUNT
\$ _____**

*As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

*

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 _____* on _____* and semiannually on each _____* and _____* 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 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 BOKF, NA dba Bank of Texas, which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Austin, 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 whether or not a business day (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 interest on the Bonds, when due.

**[FORM OF FIRST PARAGRAPHS
OF PREMIUM COMPOUND INTEREST BOND]**

NO. PC-

**PRINCIPAL
AMOUNT**
\$ _____

<u>INTEREST RATE</u>	<u>DATE OF BONDS</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
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REGISTERED OWNER:

MATURITY AMOUNT:

ON THE MATURITY DATE SPECIFIED ABOVE, MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of

*As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Maturity Amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, calculated on the basis of a 360 day year comprised of twelve 30 day months, compounded semiannually on _____* and _____* of each year commencing _____, 20____*. For convenience of reference a table of the "Accreted Value" per \$5,000 Maturity Amount is printed on the reverse side of this Bond. The term "Accreted Value" as set forth in the table on the reverse side hereof shall mean the original principal amount plus initial premium per \$5,000 Maturity Amount compounded semiannually on _____* and _____* at the yield shown on such table.

THE MATURITY AMOUNT of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, at the designated office for payment of BOKF, NA dba Bank of Texas, Austin, Texas, which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and 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 Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Debt Service Fund" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is 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.

[FORM OF REMAINDER OF EACH BOND]

IF THE DATE for any payment due on this Bond shall be a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed; 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 _____* and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$_____* [constituting \$_____ Current Interest Bonds and _____]

* As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

\$ _____ Premium Compound Interest Bonds]** **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

ON _____, 20__* **OR ON ANY DATE THEREAFTER**, the Current Interest Bonds maturing on and after _____, 20__*, 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 Current Interest 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 Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). [The Premium Compound Interest Bonds are not subject to redemption prior to maturity.]*

THE BONDS maturing on _____, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date.

Bonds Maturing _____, 20__	
Redemption Date	Principal Amount
_____, 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 Interest and Sinking 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 any redemption of Current Interest 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 the Registered Owner of each Current Interest Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day

** To be included only if Current Interest Bonds and Premium Compound Interest Bonds are both issued and completed as determined in the Pricing Certificate.

prior to such redemption date and to 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 Current Interest Bonds or portions for which such payment is made, all as provided above. The Current Interest 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 Current Interest Bond shall be redeemed, a substitute Current Interest 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 Resolution 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, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. 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 obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a 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; bonds, notes and other obligations of inferior liens, and 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 [Assistant Secretary],
Board of Directors

President [Vice President],
Board of Directors

(DISTRICT SEAL)

INSERTIONS FOR THE INITIAL BOND

1. The Initial Current Interest Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Current Interest 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 of the Current Interest Bond shall be deleted and the following will be inserted:

"ON THE MATURITY DATE SPECIFIED BELOW, 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 _____^{*} in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

^{*} As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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(Information from Pricing Certificate 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 _____* at the respective Interest Rate per annum specified above. Interest is payable on _____* and semiannually on each _____* and _____* 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 for a Current Interest Bond shall be numbered "T-1."

2. The Initial Premium Compound Interest Bond shall be in the form set forth in this Section, 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, 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 assigns (hereinafter called the "Registered Owner") the Payment at Maturity on _____* in each of the years and in installments of the respective Maturity Amounts set forth in the following schedule:

<u>Year</u>	<u>Maturity Amounts</u>	<u>Interest Rates</u>
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executed Bonds

* As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete missing information in this Form of Bond, the language in the Pricing Certificate shall be used in the executed Bonds.

(Information from Pricing Certificate to be inserted)

The amount shown above as the respective Maturity Amounts represent the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on _____* and _____* of each year commencing _____. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

C. The initial Premium Compound Interest Bond shall be numbered "TC-1."

SECTION 6.02. REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bond shall be registered by the Comptroller as provided by law. The registration certificate of the Comptroller 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: _____.

BOKF, NA dba Bank of Texas
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, without alteration or enlargement or any change whatsoever.

SECTION 6.05. CUSIP REGISTRATION. The Pricing Officer 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 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.

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 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 budgeted 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 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 budgeted and legally available to pay debt service on the Bonds.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of ad valorem taxes granted by the District under this 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 Order is to be subject to the filing requirements of Chapter 9, 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, 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 a 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 creation of the Debt Service Fund is hereby affirmed and the Escrow Fund (as defined in the Escrow Agreement attached hereto as Exhibit "B") is hereby created. Each fund shall be kept separate and apart from all other funds of the District. To the extent permitted by law, the 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 Outstanding Bonds and the Registered Owners of the Bonds, and the Additional Bonds, if any.

SECTION 8.02. 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.

SECTION 8.03. DEBT SERVICE FUND; TAX LEVY. The District shall deposit or cause to be deposited into the 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

- (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 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 Debt Service Fund.

SECTION 8.04. ESCROW FUND. The Escrow Fund shall be created and shall be governed by the terms of the Escrow Agreement in substantially the form attached hereto as Exhibit "B" with such changes as approved by the Pricing Officer.

SECTION 8.05. INVESTMENTS; EARNINGS. Moneys deposited into the Debt Service 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 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 FUNDS

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

SECTION 9.02. ACCRUED INTEREST. Moneys received from the purchaser of the Bonds representing accrued interest, if any, on the Bonds from their date to the date of their actual delivery shall be deposited into the Debt Service Fund.

SECTION 9.03. ESCROW FUND. The proceeds from the sale of the Bonds after making the deposit hereinbefore provided and paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund as described in the Escrow Agreement in substantially the form attached hereto as Exhibit "B" with such changes as approved by the Pricing Officer.

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 use all of the proceeds of the Bonds for the payment of principal, interest and redemption premium on the Refunded Bonds;

(2) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the Refunded Bonds or the projects financed or refinanced 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 of the Bonds or the Refunded Bonds or the projects financed or refinanced 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;

(3) 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 Refunded Bonds or the projects financed or refinanced 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;

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

(5) 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;

(6) 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;

(7) 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 90 days,

(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;

(8) 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

(9) 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 and Vice President of the Board of Directors 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 Order is intended to satisfy the official intent requirements set forth in Section 1.150-2 of the Treasury Regulations.

(d) Disposition of Project. The District covenants that the property constituting the projects financed or refinanced with the proceeds of the Bonds 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 that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Designation as Qualified Tax-Exempt Bonds. The Pricing Officer is authorized to designate the Bonds as "qualified tax-exempt bonds" as defined in section 265(b)(3) of the Code if the District qualifies to make such a designation at the time of pricing the Bonds. In the event the Pricing Officer makes 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 remain authorized but unissued; and
- (b) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

SECTION 11.02. OTHER BONDS. 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.

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, the Outstanding Bonds, any Additional Bonds, or any other bonds 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. In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal of or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund, or defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Bond Order, the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations, or conditions prescribed in this Bond Order. Any delay or omission to exercise any right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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 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 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 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 pursuant to this Section which is not required for the payment of such Bond and Premium Compound Interest Bond, 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 recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing 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 ORDER 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.

SECTION 14.09. FURTHER PROCEEDINGS. The Pricing Officer and the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Bond Order.

ARTICLE FIFTEEN

SALE AND DELIVERY OF BONDS AND APPROVAL OF DOCUMENTS

SECTION 15.01. SALE OF BONDS. The Bonds shall be sold and delivered, pursuant to a bond purchase agreement by and between the District and Underwriter at a price and under the terms set forth in the Pricing Certificate.

SECTION 15.02. APPROVAL, REGISTRATION, AND DELIVERY. The 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 for registration. Upon registration of the Initial Bond, the Comptroller (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 Underwriter, but only upon receipt of the full purchase price.

SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS, PAYING AGENT/REGISTRAR AGREEMENT AND ESCROW AGREEMENT The Pricing Officer is hereby authorized to approve the Preliminary Official Statement and the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto, and to deem such document final in accordance with Rule 15c2-12, the Board further approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriter in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Paying Agent/Registrar Agreement by and between the District and BOKF, NA dba Bank of Texas ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "A" is hereby approved and the Pricing Officer is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement as necessary.

The Escrow Agreement by and between the District and BOKF, NA dba Bank of Texas as Escrow Agent ("Escrow Agreement") in substantially the form and substance attached hereto as Exhibit "B" is hereby approved, and the Pricing Officer is hereby authorized to complete, amend, modify and execute the Escrow Agreement.

The President, Vice President, Treasurer, the Secretary or Assistant Secretary are each hereby authorized to take such action as may be necessary to cause the purchase and delivery of the federal securities to be acquired and deposited to the credit of the escrow fund created by the Escrow Agreement.

SECTION 15.04. REFUNDING OF REFUNDED BONDS. That concurrently with the delivery of the Bonds, the Pricing Officer shall cause to be deposited an amount from the proceeds of the sale of the Bonds with the Escrow Agent sufficient, together with other legally available funds of the District, to provide for the refunding and defeasance of the Refunded Bonds. The Pricing Officer is further authorized and directed to apply and there is hereby appropriated such moneys of the District as are necessary to fund the escrow fund to be established by the Escrow Agreement with amounts sufficient to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the Escrow Agent Notice of Redemption with respect to the Refunded Bonds in substantially the form

that is set forth in Exhibit "C" hereto with such changes as necessary in accordance with the Pricing Certificate.

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, 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 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 Registration Books 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

OTHER ACTIONS AND MATTERS

SECTION 18.01. OTHER ACTIONS. The President, Vice President or Treasurer and 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 initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and 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 Order or to any of the instruments authorized and approved by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this 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, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

SECTION 18.02. ADDITIONAL BOND INSURANCE PROVISIONS. The Pricing Officer is authorized to determine whether the Bonds sell with bond insurance and any provisions related to such insurance as evidenced in the Pricing Certificate in accordance with Section 1207.007(b)(5) of the Texas Government Code, as amended.

SECTION 18.03. 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.

ARTICLE NINETEEN

CONTINUING DISCLOSURE

SECTION 19.01. 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 as designated by the Pricing Officer in the Pricing Certificate. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "D" 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, it 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 Section 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 Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) 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 and tender offers;
- 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 subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section 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 notice of any deposit made in accordance with Section 13.01 of this Order that causes the Bonds no longer to be 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 which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE 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 comprise 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 since such offering 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 consents 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 interest 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 paragraph (a) of this Section an explanation, in narrative form, of the reason 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 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.

EXHIBIT "A"

PAYING AGENT/REGISTRAR AGREEMENT

EXHIBIT "B"
ESCROW AGREEMENT

EXHIBIT "C"

FORM OF NOTICES OF REDEMPTION/DEFEASANCE*

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

Notice is hereby given that the following obligations issued by Moore's Crossing Municipal Utility District (the "District") have been defeased and called for redemption prior to their scheduled maturities, at a price of par and accrued interest to the date of redemption, to-wit:

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES _____*, all outstanding obligations maturing on _____* in each of the years _____* through _____*, inclusive, aggregating \$_____ in principal amount.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP**</u>
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Due provision for the payment of the above-described obligations has been made with BOKF, NA dba Bank of Texas (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

First Class/Registered/Certified Mail

BOKF, NA Corporate Trust Services
Attn: Original Issuance
P.O. Box 64111
St. Paul, MN 55164-0111

By Overnight or Courier

BOKF, NA Corporate Trust Services
Attn: Original Issuance
60 Livingston Avenue
St. Paul, MN 55107

By Hand

BOKF, NA dba Bank of Texas
111 Congress Avenue, Suite 400
Austin, Texas 78701
(512) 279-7850

Interest on the redeemed obligations shall cease to accrue thereon after their redemption date.

In compliance with section 3406 of the Internal Revenue Code of 1986, as amended, payors making certain payments due on debt securities may be obligated to deduct and withhold a portion of such payment from the remittance to any payee who has failed to provide such payor with a valid taxpayer identification number. To avoid the imposition of this withholding tax, such payees should submit a certified taxpayer identification number when surrendering the Bonds for redemption.

*To be revised to conform with the Pricing Certificate.

**The CUSIP Numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. The District and Paying Agent shall not be responsible for the selection or the correctness of the CUSIP numbers set forth herein or as printed on any Bond.

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

EXHIBIT "D"

CONTINUING DISCLOSURE UNDERTAKING

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 JUNE 19, 2012

2nd Draft
6.27.12

NEW ISSUE-BOOK-ENTRY-ONLY

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS." See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

\$3,835,000*

Moore's Crossing Municipal Utility District
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2012

Dated: August 1, 2012

Due: September 1, as shown on the inside cover page

Interest on the Bonds maturing on September 1 in each of the years 2014 and 2015 (the "Capital Appreciation Bonds") will accrete from the date of delivery, will be compounded March 1 and September 1 of each year, commencing March 1, 2013, and will be payable only upon maturity. See "APPENDIX B – Schedule of Accreted Values." Interest on the Bonds maturing on September 1 in each of the years 2012 through 2013, 2016 through 2025 and 2028 (the "Current Interest Bonds") will accrue from the Dated Date, and will be payable March 1 and September 1 of each year, commencing March 1, 2013. The Current Interest Bonds and the Capital Appreciation Bonds are collectively referred to herein as the "Bonds." The definitive Bonds 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-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the paying agent/registrant to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Paying Agent"). The Bonds will be issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of \$5,000 of principal amount or integral multiples thereof, and the Capital Appreciation Bonds will be issued in amounts which mature in \$5,000 denominations, or integral multiples thereof, including both principal and interest. See "APPENDIX B – Schedule of Accreted Values."

The Bonds are being issued to (i) currently refund a portion of the District's outstanding Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Refunding Bonds, Series 2004 (the "Series 2004 Bonds"), and Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds") to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING." The Current Interest Bonds maturing on and after September 1, 2020, 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, 2019 or 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 Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

The Bonds constitute obligations solely of Moore's Crossing Municipal Utility District (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.

MATURITY SCHEDULE (see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. See "THE BONDS – Source of and Security for Payment." This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the Bonds is subject to certain risk factors. See "RISK FACTORS" herein.

The Bonds are offered when, as and if issued by the District, subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the underwriters shown on the cover page (the "Underwriters") by their counsel, Andrews Kurth LLP, Austin, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on [REDACTED], 2012.

SAMCO Capital Markets, Inc.

FirstSouthwest

*Preliminary; subject to change.

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

EXHIBIT 2

MATURITIES \$3,750,000* Current Interest Bonds (Due September 1)

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)
2012	\$ 80,000	_____ %	_____ %	_____	2020 ^(a)	\$ 240,000	_____ %	_____ %	_____
2013	50,000	_____ %	_____ %	_____	2021 ^(a)	245,000	_____ %	_____ %	_____
2016	320,000	_____ %	_____ %	_____	2022 ^(a)	255,000	_____ %	_____ %	_____
2017	330,000	_____ %	_____ %	_____	2023 ^(a)	270,000	_____ %	_____ %	_____
2018	335,000	_____ %	_____ %	_____	2024 ^(a)	280,000	_____ %	_____ %	_____
2019	235,000	_____ %	_____ %	_____	2025 ^(a)	290,000	_____ %	_____ %	_____

\$820,000 _____ % Term Bond due September 1, 2028 ^(a) Yield _____ % ^(b) CUSIP # _____ ^(c)

(Accrued Interest from March 1, 2013 to be added)

- (a) 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, 2020, in whole or from time to time in part, on September 1, 2019, 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 Current Interest Bonds maturing September 1, 2028 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."
- (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 Current Interest Bonds will be priced will be established by and will be the sole responsibility of the Underwriters. The yields may be changed at any time at the discretion of the Underwriters. Accrued interest from August 1, 2012 to the date of delivery of the Current Interest Bonds to the Underwriters is to be added to the price.
- (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. None of the Underwriters, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

\$85,000* Capital Appreciation Bonds (Due September 1)

Due	Initial Offering Price	Original Principal Amount	Purchase Price Per \$5,000 at Maturity	Initial Reoffering Yield ^(a)	Total Payment at Maturity ^(b)	CUSIP Number ^(c)
2014		\$ 30,000		_____ %		
2015		55,000		_____ %		

(Interest accretes from date of delivery)

- (a) The initial reoffering yields on the Capital Appreciation Bonds are established by, and are the sole responsibility of, the Underwriters, and may subsequently be changed. Initial reoffering yields represent the initial offering price to the public of a substantial amount of the Capital Appreciation Bonds of each maturity which may be changed for subsequent purchasers.
- (b) The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity date. See "THE BONDS - Redemption Provisions." Interest is compounded semiannually on each March 1 and September 1, commencing March 1, 2013 and payable only at stated maturity.
- (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. None of the Underwriters, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

*Preliminary, subject to change.

EXHIBIT 2

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EXHIBIT 2

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of the information permitted by the Rule.

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 District's General Counsel, 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 to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION."

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibility to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriters listed on the cover page of this Official Statement have agreed, subject to certain conditions set forth in the bond purchase agreement, to purchase the Bonds from the District for \$_____ (an amount equal to the principal amount of the Bonds, less a net original issue discount on the Current Interest Bonds of \$_____, plus a premium on the Capital Appreciation Bonds of \$_____, less an Underwriter's discount of \$_____, and plus accrued interest of \$_____).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriters 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 UNDERWRITERS 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.

EXHIBIT 2

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; 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 RATING 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.

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EXHIBIT 2

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 690.78 acres are developable. As of June 1, 2012, approximately 192.40 acres (or approximately 27.85% of the developable acreage) has been developed as 813 single family lots and an approximate 17.10 acre school site. Development within the District as of June 1, 2012 included 745 completed single family homes, 7 homes under construction, and 61 developed vacant single family lots located within the residential subdivision of Moore's Crossing Stoney 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. Of the remaining 498.38 developable acres, the Developer expects approximately 28.21 acres to be developed as Phase C - 140 single family lots and the remaining approximate 470.17 acres to be developed as commercial improvements. See "THE DISTRICT – Historical and Current Status of Development" and "Future Development."
Homebuilders	SR Development has informed the District that it is currently marketing for sale the 45 remaining vacant lots in Phase B, Section 2 and the projected 140 lots not yet developed with water, wastewater and drainage facilities in Phase C. Lennar Homes is currently constructing homes on its 7 remaining lots in Phase B, Section 2. SR Development has represented that the sales price of homes constructed in the District recently generally ranged in price from approximately \$115,000 to \$160,000, with square footage ranging from approximately 952 to 2,400. See "THE DISTRICT – Homebuilders."

THE BONDS

Description	The Current Interest Bonds are serial bonds in the aggregate principal amount of \$3,750,000* maturing annually in varying amounts on September 1 of each of the years 2012, 2013, 2016 through 2025 and 2028. Interest accrues on the Current Interest Bonds from August 1, 2012 at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2013 and each September 1 and March 1 thereafter until maturity. The Capital Appreciation Bonds will be issued in the original aggregate principal amount of \$85,000* and will mature together with interest accreted from initial delivery on September 1 in each of the years 2014 and 2015. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the rate per annum set forth on the inside cover page hereof and compounds each March 1 and September 1 commencing March 1, 2013 until maturity. The Current Interest Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity, and the Capital Appreciation Bonds are offered in fully registered form in denominations which result in total amounts due at maturity in integral multiples of \$5,000. See "THE BONDS - General Description."
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*Preliminary; subject to change.

EXHIBIT 2

Redemption	The Current Interest Bonds maturing on and after September 1, 2020 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, 2019, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. The Current Interest Bonds maturing September 1, 2028 are also subject to mandatory sinking fund redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. 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." 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. See "THE BONDS - Source of and Security for Payment."
Payment Record	The District has previously issued four installments of new money bonds and one installment 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; Unlimited Tax Bonds, Series 2005; and Unlimited Tax Bonds, Series 2011 (collectively, the "Outstanding Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds."
Authority for Issuance	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State, Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, and an order adopted by the Board of Directors of the District and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS – Authority for Issuance."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) currently refund a portion of the District's Unlimited Tax Bonds, Series 2003; Unlimited Tax Refunding Bonds, Series 2004 and Unlimited Tax Bonds, Series 2005 to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."
Bonds Authorized But Unissued	At an election held within the District on November 3, 1987, the voters within the District approved the issuance of \$32,000,000 in bonds for water, wastewater and drainage facilities. The District has \$23,905,000 remaining in authorized but unissued new money bonds. See "FINANCIAL STATEMENT - Outstanding Bonds"; "Unlimited Tax Bonds Authorized but Unissued"; and "THE BONDS – Issuance of Additional Debt."
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in "TAX MATTERS" herein, including the alternative minimum tax on corporations.
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 expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2012 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
General Counsel	Armbrust & Brown, PLLC, Austin, Texas.
Bond Counsel	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
Underwriter's Counsel	Andrews Kurth LLP, Austin, Texas
Financial Advisor	Southwest Securities, Austin, Texas.
Verification Agent	Grant Thornton LLP, Minneapolis, Minnesota.

EXHIBIT 2

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," with respect to the investment security of the Bonds.

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EXHIBIT 2

SELECTED FINANCIAL INFORMATION (Unaudited as of July 1, 2012)

2011 Certified Assessed Valuation	\$	74,681,679	(a)
Preliminary 2012 Assessed Valuation	\$	68,915,384	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$	6,525,000	(c)
Ratio of Gross Debt to 2011 Certified Assessed Valuation		8.74%	
Ratio of Gross Debt to Preliminary 2012 Assessed Valuation		9.47%	
2011 Tax Rate			
Debt Service	\$	0.6607	
M&O		0.2493	
Total 2011 Tax Rate		<u><u>\$ 0.9100</u></u>	
Debt Service Fund Balance (as of June 19, 2012)	\$	654,276	(d)
Percentage of current tax collections - (Tax Years 2000-2011)		99.42%	(e)
Percentage of total tax collections - (Tax Years 2000-2011)		99.74%	(e)
Projected Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Average Requirement") (2012-2027, inclusive)	\$	525,168	
Tax Rate required to pay Projected Average Requirement based upon 2011 Certified Assessed Valuation at 95% collections	\$	0.75	/\$100 AV
Tax Rate required to pay Projected Average Requirement based upon Preliminary 2012 Assessed Valuation at 95% collections	\$	0.81	/\$100 AV
Projected Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Projected Maximum Requirement") (2018)	\$	585,039	
Tax Rate required to pay Projected Maximum Requirement based upon 2011 Certified Assessed Valuation at 95% collections	\$	0.83	/\$100 AV
Tax Rate required to pay Projected Maximum Requirement based upon Preliminary 2012 Assessed Valuation at 95% collections	\$	0.90	/\$100 AV
Number of active connections as of June 1, 2012			
Single Family - occupied	708		
Single Family - unoccupied	37		
Builder Connections	1		
Total Number of Active Connections		752	
Estimated Population as of June 1, 2012		2,478	(f)

(a) Assessed valuation of the District as of January 1, 2011 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."

(b) As provided by TCAD and is included solely for purposes of illustration. Such amount reflects an estimate of the taxable value within the District and is subject to review and change by TCAD. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."

(c) Includes the Bonds, excludes the Refunded Bonds. Preliminary; subject to change.

(d) Unaudited as of June 19, 2012. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.

(e) See "TAX DATA - Tax Collections."

(f) Based upon 3.5 residents per occupied single family home.

EXHIBIT 2

OFFICIAL STATEMENT relating to

\$3,835,000*

**Moore's Crossing Municipal Utility District
(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

UNLIMITED TAX REFUNDING BONDS, SERIES 2012

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 (the "State"), of its \$3,835,000* Unlimited Tax Refunding Bonds, Series 2012 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on June 19, 2012 (the "Order") and a pricing certificate executed by the pricing officer authorized by the Order (the Order and pricing certificate are collectively referred to herein as the "Bond Order"), pursuant to Article XVI, Section 59 of the Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND 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.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

At an election held within the District on November 3, 1987, the District's voters authorized the issuance of an aggregate principal amount of \$32,000,000 of unlimited tax bonds for the construction of the District's water, sanitary sewer and drainage facilities. Since that time, the District has issued four installments of new money bonds in an original aggregate principal amount of \$8,095,000 and the District has \$23,905,000 remaining in authorized but unissued new money bonds.

The Bonds are being issued to achieve a debt service savings in the years 2012 through 2028, inclusive, by currently refunding \$3,835,000* of the Series 2003 Bonds, Series 2004 Bonds and the Series 2005 Bonds (the "Refunded Bonds"). See "PROJECTED DEBT SERVICE REQUIREMENTS."

*Preliminary; subject to change.

EXHIBIT 2

The Refunded Bonds*

The principal amounts and maturity dates of the Refunded Bonds are set forth below.

Year	Series 2003	Series 2004	Series 2005	Total
2014	\$ 60,000	\$ -	\$ -	\$ 60,000
2015	60,000	95,000	110,000	265,000
2016	65,000	100,000	115,000	280,000
2017	70,000	110,000	120,000	300,000
2018	75,000	110,000	125,000	310,000
2019	80,000	-	135,000	215,000
2020	85,000	-	140,000	225,000
2021	-	-	150,000	150,000
2022	180,000	-	155,000	335,000
2023	-	-	165,000	165,000
2024	205,000	-	175,000	380,000
2025	-	-	185,000	185,000
2026	-	-	195,000	195,000
2027	350,000	-	205,000	555,000
2028	-	-	215,000	215,000
	<u>\$ 1,230,000</u>	<u>\$ 415,000</u>	<u>\$ 2,190,000</u>	<u>\$ 3,835,000</u>
Redemption Date: / /2012 / /2012 / /2012				

The Remaining Outstanding Bonds*

The following bonds will remain outstanding after issuance of the Bonds (collectively, the "Remaining Outstanding Bonds"):

Year	Series 2003	Series 2004	Series 2005	Series 2011	The Bonds	Total
2012	\$ 55,000	\$ 100,000	\$ 90,000	\$ 25,000	\$ 80,000	\$ 350,000
2013	55,000	100,000	95,000	25,000	50,000	325,000
2014	-	95,000	100,000	50,000	30,000	275,000
2015	-	-	-	50,000	55,000	105,000
2016	-	-	-	50,000	320,000	370,000
2017	-	-	-	50,000	330,000	380,000
2018	-	-	-	75,000	335,000	410,000
2019	-	-	-	75,000	235,000	310,000
2020	-	-	-	75,000	240,000	315,000
2021	-	-	-	100,000	245,000	345,000
2022	-	-	-	100,000	255,000	355,000
2023	-	-	-	100,000	270,000	370,000
2024	-	-	-	125,000	280,000	405,000
2025	-	-	-	125,000	290,000	415,000
2026	-	-	-	125,000	300,000	425,000
2027	-	-	-	150,000	320,000	470,000
2028	-	-	-	150,000	200,000	350,000
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	550,000	-	550,000
	<u>\$ 110,000</u>	<u>\$ 295,000</u>	<u>\$ 285,000</u>	<u>\$ 2,000,000</u>	<u>\$ 3,835,000</u>	<u>\$ 6,525,000</u>

*Preliminary; subject to change.

EXHIBIT 2

Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates, maturity dates and the respective redemption dates of such Refunded Bonds, as applicable, from funds and direct obligations of the United States of America to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Escrow Agent"). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriters, the District will deposit with the Escrow Agent cash and direct obligations of the United States in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective maturity dates and redemption dates, as applicable.

The District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the federal securities and/or cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the bond orders authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207, Texas Government Code, as amended. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Grant Thornton, L.L.P., the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

Estimated Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:

Par Amount of Bonds	\$ _____
Original Issue Premium/Discount	_____
Accrued Interest on the Bonds	_____
District Contribution	_____
Total Sources of Funds	\$ _____

Uses of Funds:

Escrow Deposit	\$ _____
Costs of Issuance	_____
Underwriter's Discount	_____
Deposit to Debt Service Fund (Accrued Interest/Rounding Amount)	_____
Total Uses of Funds	\$ _____

THE BONDS

General Description

The Current Interest Bonds will bear interest from August 1, 2012 and will mature on September 1 in the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Current Interest Bonds will be paid on March 1, 2013 and each September 1 and March 1 (each, an "Interest Payment Date") thereafter until maturity or prior redemption. Interest on the Capital Appreciation Bonds will accrete from the date of delivery, will be compounded each March 1 and September 1 of each year, commencing March 1, 2013 and will be payable only upon maturity. See "Appendix B – Schedule of Accreted Values." The Capital Appreciation Bonds will be issued in the original principal amount of \$85,000* and will mature, together with interest accreting from the date of delivery, on September 1 in each of the years 2014 and 2015.

*Preliminary; subject to change.

EXHIBIT 2

The Bonds will be initially 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-only form. 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/Registrar 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 (the "Paying Agent/Registrar").

Yield on Capital Appreciation Bonds

The approximate yields of the Capital Appreciation Bonds as set forth on the inside cover page of this Official Statement are based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such Capital Appreciation Bonds plus premium, if any, equal to the amount by which such offering price exceeds the principal amount of such Capital Appreciation Bonds. The yield on the Capital Appreciation Bonds to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the Capital Appreciation Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Redemption

Optional Redemption . . . The Current Interest Bonds maturing on and after September 1, 2020, 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, 2019, 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. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Current Interest Bonds maturing on September 1, 2028 are subject to mandatory sinking fund redemption prior to maturity by lot or other customary method 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:

\$820,000 Term Bond Maturing September 1, 2028*	
Mandatory	
Redemption	Principal
<u>Date</u>	<u>Amount</u>
2026	\$ 300,000
2027	320,000
2028	200,000

*Stated Maturity. Preliminary; subject to change.

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

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by the 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 part (\$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 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/Registrar is required to select the Bonds of such maturity to be redeemed by lot or other customary methods.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have

EXHIBIT 2

been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent 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 are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provisions

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

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 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 or maturity amount, as the case may, 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 (15th) 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

EXHIBIT 2

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 Order 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

The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

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 Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, 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 Bond Order provides for the termination of the pledge of taxes when and if the City of Austin dissolves the District and assumes all debts and liabilities of the District.

The Bonds are obligations solely of the District and are not obligations of the City of Austin, 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 new money bonds and one series of refunding bonds consisting of the \$1,425,000 Unlimited Tax Bonds, Series 1998 (the "Series 1998 Bonds"); \$1,670,000 Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"); \$1,324,999 Unlimited Tax Refunding Bonds, Series 2004 (the "Series 2004 Bonds"); \$3,000,000 Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"); and \$2,000,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"). After issuance of the Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2005, the Series 2011 and the Bonds will remain outstanding. See "Plan of Financing – The Remaining Outstanding Bonds." The District has not defaulted in the payment of the principal of or interest on the Outstanding Bonds.

Flow of Funds

The Bond Order creates, or affirms creation, establishment and maintenance by the District of a Debt Service Fund and Escrow Fund for the Bonds.

The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Underwriters, the amount received from proceeds of the Bonds representing accrued 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 of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order 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.

The Refunded Bonds and the interest due thereon will be paid on the first optional redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow fund. See "PLAN OF FINANCING – Refunded Bonds."

Defeasance of Outstanding Bonds

General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (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

EXHIBIT 2

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 Order 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 Order.

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 Order.

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; (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; and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

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.

Because the Bond Order provides that securities or obligations that may be authorized under future State law may also be used to defease Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described in this section will be maintained at any particular rating category.

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 order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Obligations or those for any other Defeasance Obligation will be maintained at any particular rating category.

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Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, N.A., dba Bank of Texas, Austin, 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 Order 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 or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and, in the case of bonds payable from taxes, the District's voters. At an election held within the District on November 3, 1987, the District's voters authorized the issuance of an aggregate principal amount of \$32,000,000 of unlimited tax bonds for the construction of the District's water, sanitary sewer and drainage facilities. Since that time, the District has issued four installments of new money bonds in an aggregate principal amount of \$8,095,000, and \$23,905,000 of unlimited tax bonds for construction of water, wastewater and drainage projects remains authorized but unissued.

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, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities (other than swimming pools and golf courses). The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness which may be issued by the District. Any additional indebtedness issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

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 Order 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

EXHIBIT 2

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 Order 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 Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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.

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

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DISTRICT – City of Austin Consent Agreement.”

Alteration of Boundaries

In certain circumstances under State law, the District may alter its boundaries to, upon satisfying certain conditions to deannex and then annex additional territory. No representation is made concerning the likelihood that the District would effect any further 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 Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (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 DTC 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 (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) 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 (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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, each 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, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard &

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Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State; Travis County, Texas; the City of Austin; 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

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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 economics.

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.

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 Continue Development: 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 the 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 or construction of taxable improvements, 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 2011 certified assessed valuation of the District is \$74,681,679 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$585,039 (2018) and the Projected Average Annual Debt Service Requirement will be \$525,168 (2012 through 2027, inclusive). Assuming (1) no increase or decrease from the 2011 certified assessed valuation, and (2) no use of funds on hand, a tax rate of \$0.83/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$585,039, and a tax rate of \$0.75/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of

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\$525,168. The Preliminary 2012 Assessed Valuation of the District is \$68,915,384. Based upon the assumptions above, a tax rate of \$0.90 per \$100 assessed valuation, at a 95% collection rate, and a tax rate of \$0.81 per \$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service Requirement and the Projected Average Annual Debt Service Requirements, respectively. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Wastewater Facilities: The District currently maintains a wastewater lift station and a force main as described under "The System - Wastewater Facilities" the operation and maintenance costs of which represent a substantial portion of the District's overall budget funded through the maintenance tax. The wastewater facilities are currently projected to be decommissioned and no longer operational once the Developer builds an alternative gravity wastewater main to connect to other wastewater facilities of the City of Austin to be constructed by Land Accelerator LLC pursuant to an agreement with the City of Austin approved by the Austin City Council on November 18, 2010. See "THE SYSTEM - Wastewater Facilities."

The District recently received approximately \$200,000 from a pass-through service customer who will connect to the City of Austin wastewater system by sending wastewater through the District's lift station. The District intends to utilize the \$200,000 to assist with the costs to construct the alternate wastewater main and to offset the maintenance and operation costs of the existing facilities until such are decommissioned and no longer operational, which is currently expected by 2016. The Developer is required pursuant to an Amended and Restated Letter Agreement dated August 16, 2011 (the "Letter Agreement") to provide \$5,000 a month to the District to pay the operations and routine repair and maintenance of the wastewater facilities if the District has expended the pass-through funding and any capital project monies and is unable to maintain a six month operating budget reserve. The Letter Agreement also requires the Developer to begin the engineering on the alternate gravity main by October and proceed to have the plans completed within six months thereafter.

If the District's maintenance and operation costs, including those needed for the current wastewater facilities, exceed projections, the District's wastewater facilities are not decommissioned as currently expected, the Developer does not construct the alternate gravity line or make contributions to the District as required by the Letter Agreement or the assessed value of the District does not increase, the District may be required to increase taxes above its current \$0.91 tax rate. Any increase in taxes above the District's current \$0.91 level may impact the marketability of lots and homes and continued development within the District. The District gives no assurances regarding the impact of continued operation of the wastewater facilities on the District's overall tax rate.

Tax Collections and Foreclosure Remedies

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. Except for mandamus, the Bond Order 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.

Housing Market - Volatility and Recent Foreclosures

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 District, there were ten foreclosures on single family homes during calendar year 2011 and, as of May 1, 2012, there have been eight foreclosures on single family homes during calendar year 2012. No assurance can be given whether the number of foreclosures will increase or decrease or that market conditions will improve.

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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 dismisses 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 municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 owners' claims.

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

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Continuing Compliance with Certain Covenants

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

Environmental Regulation

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

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

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

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

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

The area will report semi-annually on the progress of their control measures. Under the EACs, attainment must have been demonstrated by 2007. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 15, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operation of the District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for

EXHIBIT 2

issuing, revoking, monitoring and enforcing wastewater discharge permits. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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

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

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$23,905,000 authorized but unissued unlimited tax bonds for construction of water, wastewater and drainage projects and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$23,905,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas, the TCEQ and the consent of the City of Austin. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. See "THE SYSTEM".

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt

EXHIBIT 2

interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Drought Conditions

Central Texas, like other areas of the State, is experiencing extreme drought conditions. The District adopted a water conservation plan and currently has implemented water restrictions for residents of the District.

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 June 1, 2012, there are three homes with an aggregate 2011 tax year appraised value of \$328,930 within the District that are 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

SEE MAP ON FOLLOWING PAGE

SR Development Inc. - Regional Aerial

AUSTIN, TEXAS

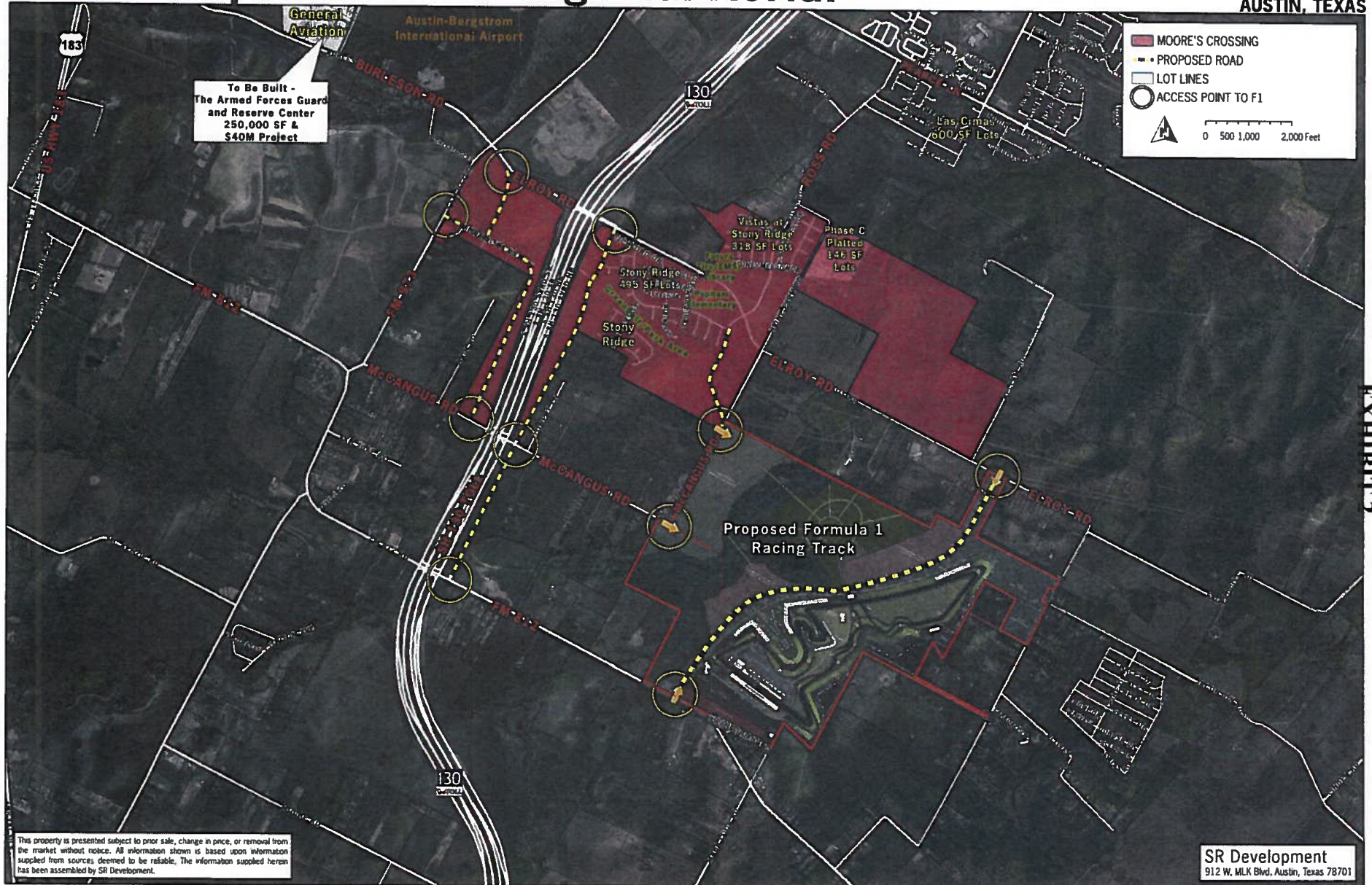


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THE DISTRICT

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: Governed by a board the District consists 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 on the first Tuesday after the first Monday in November in each even numbered year. All of the directors listed below reside or own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Charles H. Scott	President	2012	17 ½ Years
Ann Carroll	Vice President	2014	13 ½ Years
Michelle Bolin	Secretary	2014	9 Years
Gregory D. Shroen	Treasurer	2012	14 ½ Years
John Foradory	Assistant Secretary/Treasurer	2012	3 ½ Years

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. Ms. Tina Morton currently serves the District in this capacity under contract.

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

Engineer: The District's consulting engineer is Schroeder Engineering Company (the "Engineer"). Such firm serves as consulting engineer to 11 other special districts.

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.

Financial Advisor: Southwest Securities serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based upon the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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Bond Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel in connection with the issuance of the Bonds. The fees of Bond 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 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.

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 2 (144 lots) in the years 2007 thru 2008, all further part of the subdivision Stoney Ridge.

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 64.50 acre corner was zoned general retail/commercial and light industrial.

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 \$805,000 is reimbursable to SR Development from future bond proceeds in connection with the drainage costs for such project.

In 2008, TSWG 130, L.L.C. ("TSWG130"), was formed by William Geo. Gurasich and Tim Chambers. In June 2009, TSWG130 purchased approximately 28.89 acres, known as the Linda Vista Tract, zoned for general retail/commercial and light industrial/commercial, and an approximate 3.03 acre adjoining parcel from the City of Austin. In December 2009, approximately 34 acres, including the 28.89 acre Linda Vista tract, the 3.03 acre parcel and another approximate 2.8 acre parcel, were annexed into the District, thus the total acreage in the District increased to 838.48 acres.

EXHIBIT 2

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 August 2011, MC Joint Venture owns approximately 262.10 acres, SR Development owns approximately 223.70 acres and TSWG130 owns approximately 31.70 acres in the District. See "THE DISTRICT – Historical and Current Status of Development."

Of the total 838.48 acres in the District, approximately 470.17 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.

SR Development has informed the District that it is currently marketing for sale the 45 remaining vacant lots in Phase B, Section 2 and the projected 140 lots not yet developed with water, wastewater and drainage facilities in Phase C. 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."

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	35
2011	15
2012*	<u>7</u>
Total	752

**As of June 1, 2012, 7 homes are currently under construction.*

EXHIBIT 2

Single Family Development

The chart below reflects the status of single family development as of June 1, 2012

	Net	Platted	Completed	Single Family Homes Under	Vacant
	Acreage	Lots	Homes	Construction	Lots
A. Developed with Utility Facilities					
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	92	7	45
Total Developed with Utilities	175.30	813	745	7	61
B. Sections Currently Under Construction					
None	-	-	-	-	-
C. Total Developed with Utilities or Under Construction	175.30	813	745	7	61
D. Remaining Single Family Developable Acreage					
Stoney Ridge, Phase C	28.21	140			
Total Single Family Developable Acreage	203.51				
E. Del Valle ISD Elementary School	17.10				
F. Undevelopable Acreage (a)	147.70				
G. Commercial Acreage					
i. Linda Vista Tract	28.89				
ii. Other	<u>441.28</u>				
Total Commercial Acreage	470.17				
Total	838.48				

(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, 109.10 acres for flood plain and conservation and right-of-way dedication for future roadway improvements.

EXHIBIT 2

Development of Surrounding Areas

Below is information provided by SR Development regarding the development of the area 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

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 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. SH 130 bisects the District from Elroy Road to McAngus Road and will serve as a major north-south expressway. 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 in an east-west direction, is four to six lanes with a divided median. SR Development and Travis County jointly paid approximately \$4.5 million 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. 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. 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. No assurances are given regarding when or if such expansion will occur.

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 on the southern border of 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 October 2012.

Formula-1 Circuit of Americas 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 an 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 and the first Grand Prix™ race is scheduled for November 16-18, 2012.

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."

According to SR Development, most of the remaining undeveloped acreage within the District is anticipated to be zoned for commercial development and right-of-way to serve the area.

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

EXHIBIT 2

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.

EXHIBIT 2

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 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 June 2, 2014, November 2, 2014, and December 31, 2019, respectively, are subordinate to the development financing loan, described herein, and at June 1, 2012, 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 June 1, 2012 is as follows:

<u>Project</u>	<u>Amount of Loan</u>	<u>Type Loan</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
1. Phase B, Section 2	\$2,550,000.00	Development Loan	\$280,569.23	10/30/2012
2. Phase B, Section 2	452,233.00	Line of Credit	994,467.00	12/31/2012
3. Elroy Road, Section 1 & 2 Reconstruction	1,350,000.00	Loan	Paid In Full	
4. Elroy Road, Section 3 / Ross Road	1,265,000.00	Loan	719,000.00	10/30/2012

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 45 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 15" gravity wastewater line that will serve all property within the District west of Texas 130 expressway.

Homebuilders

Lennar Homes is currently constructing homes on its 7 remaining lots in Phase B, Section 2. SR Development has represented that the sales price of homes constructed in the District recently generally ranged in price from approximately \$115,000 to \$160,000, with square footage ranging from approximately 952 to 2,400. According to SR Development, Lennar Homes was previously under contract to purchase the remaining 45 lots in Phase B, Section 2 but, in 2011, notified SR Development that it would not be purchasing those lots under such sales contract. SR Development has informed the District that it is currently marketing for sale the 45 remaining vacant lots in Phase B, Section 2 and the projected 140 lots not yet developed with water, wastewater and drainage facilities in Phase C. 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.

EXHIBIT 2

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 75 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 average flows through the Treatment Plant are approximately 38 mgd.

Wastewater Facilities

The District is currently responsible for the operations and maintenance of the lift station and approximately 9,400 feet of 12-inch force main.

These facilities are currently projected to be decommissioned and no longer operational once the Developer builds an alternative gravity wastewater main to connect to other wastewater facilities of the City of Austin. See "Risk Factors – Factors Affecting Taxable Values and Tax Payments – Wastewater Facilities."

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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EXHIBIT 2

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. Reference is made to such statements for further and more complete information. Also see "Appendix A – Audited Financial Statements."

	Fiscal Year End					
	9/30/2011 ^(a)	9/30/2010 ^(a)	9/30/2009 ^(a)	9/30/2008 ^(a)	9/30/2007 ^(a)	9/30/2006 ^(a)
REVENUES						
Property taxes, including penalties	\$ 223,874	\$ 205,728	\$ 153,965	\$ 111,206	\$ 91,851	\$ 68,756
Inspection/Review Fees	3,600	17,100	6,750	11,700	20,250	42,750
Interest	1,304	1,398	1,399	3,615	6,699	7,836
Contribution	200,000	-	-	-	-	-
Other	199	197	270	-	-	-
TOTAL REVENUES	\$ 428,977	\$ 224,423	\$ 162,384	\$ 126,521	\$ 118,800	\$ 119,342
EXPENDITURES						
Repairs & Maintenance	\$ 20,846	\$ 6,344	\$ 22,039	\$ 10,873	\$ 6,104	\$ 43,740
Chemicals	30,109	13,033	16,000	15,800	23,663	27,387
Utilities/Telephone	4,372	4,232	3,069	5,268	4,878	3,199
Security Lights	8,426	8,758	9,488	7,988	8,198	7,617
Landscape Maintenance	29,790	25,628	28,240	20,221	26,672	25,236
Directors' Fees	9,366	9,366	9,689	7,913	8,074	7,590
Management Fees	12,344	11,820	12,000	16,592	16,945	16,663
Legal Fees	35,523	29,003	23,948	20,962	18,224	20,710
Engineering Fees	6,208	5,620	4,478	5,482	6,616	6,507
Audit Fees	11,000	9,000	14,500	10,750	9,750	9,000
Bookkeeping Fees	16,444	17,224	16,790	4,955	-	-
Tax appraisal/collection fees	1,172	1,251	976	700	560	437
Other Consulting Fees	1,159	499	387	1,843	334	297
Insurance	1,456	1,568	1,629	1,494	1,401	1,915
Other	6,674	9,434	8,882	6,740	8,072	8,699
Capital Outlay	-	-	-	21,823	-	-
TOTAL EXPENDITURES	\$ 194,889	\$ 152,780	\$ 172,115	\$ 159,404	\$ 139,491	\$ 178,997
TOTAL REVENUE OVER/UNDER EXPENDITURES	\$ 234,088	\$ 71,643	\$ (9,731)	\$ (32,883)	\$ (20,691)	\$ (59,655)
Beginning Fund Balance	\$ 142,560	\$ 63,417	\$ 51,325	\$ 84,208	\$ 104,899	\$ 137,417
Plus / (Less): Fund Transfer	(8,758)	7,500	21,823	-	-	27,137
Ending Fund Balance	\$ 367,890	\$ 142,560	\$ 63,417	\$ 51,325	\$ 84,208	\$ 104,899
(a) Audited.						

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EXHIBIT 2

PROJECTED DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3

Moore's Crossing Municipal Utility District

\$3,835,000*

Unlimited Tax Refunding Bonds, Series 2012

Dated Date: August 1, 2012

First Interest Payment Due: March 1, 2013

Year Ending 31-Dec	Current Debt Service Requirement	Less Refunded Debt Service	The Bonds*					Total Debt Service Requirements
			Principal (Due 9/01)	Interest			Principal and Interest	
				(Due 3/01)	(Due 9/01)	Total		
2012	\$ 555,612	\$ 89,947	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000	\$ 545,665
2013	556,844	179,894	50,000	65,675	56,207	121,882	171,882	548,832
2014	576,019	239,894	30,000	55,769	135,769	191,539	221,539	557,664
2015	573,944	442,119	55,000	55,769	315,769	371,539	426,539	558,364
2016	575,991	445,666	320,000	55,769	55,769	111,539	431,539	561,864
2017	582,035	453,210	330,000	52,569	52,569	105,139	435,139	563,964
2018	601,755	449,430	335,000	48,857	48,857	97,714	432,714	585,039
2019	489,874	339,986	235,000	44,837	44,837	89,674	324,674	474,561
2020	487,343	340,080	240,000	41,782	41,782	83,564	323,564	470,826
2021	508,938	339,488	245,000	38,422	38,422	76,844	321,844	491,294
2022	508,853	343,403	255,000	34,747	34,747	69,494	324,494	489,944
2023	508,033	346,583	270,000	30,763	30,763	61,525	331,525	492,975
2024	531,358	349,008	280,000	26,375	26,375	52,750	332,750	515,100
2025	527,825	350,725	290,000	21,475	21,475	42,950	332,950	510,050
2026	523,174	351,449	300,000	16,400	16,400	32,800	332,800	504,525
2027	547,675	356,450	320,000	10,400	10,400	20,800	340,800	532,025
2028	409,687	225,213	200,000	4,000	4,000	8,000	208,000	392,475
2029	202,500	-	-	-	-	-	-	202,500
2030	193,750	-	-	-	-	-	-	193,750
2031	210,000	-	-	-	-	-	-	210,000
	<u>\$ 9,671,207</u>	<u>\$ 5,642,542</u>	<u>\$ 3,835,000</u>	<u>\$ 603,609</u>	<u>\$ 934,141</u>	<u>\$ 1,537,751</u>	<u>\$ 5,372,751</u>	<u>\$ 9,401,415</u>

*Preliminary; subject to change.

EXHIBIT 2

FINANCIAL STATEMENT (Unaudited as of July 1, 2012)

Assessed Value - Table 4

2011 Certified Assessed Valuation	\$ 74,681,679 ^(a)
Preliminary 2012 Assessed Valuation	\$ 68,915,384 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 6,525,000 ^(c)
Ratio of Gross Debt to 2011 Certified Assessed Valuation	8.74%
Ratio of Gross Debt to Preliminary 2012 Assessed Valuation	9.47%
2011 Tax Rate	
Debt Service	\$ 0.6607
M&O	0.2493
Total 2011 Tax Rate	\$ 0.9100
Debt Service Fund Balance (as of June 19, 2012)	\$ 654,276 ^(d)
Estimated Population as of June 1, 2012	2,478 ^(e)

Area of District: 838.48 acres

- (a) Assessed valuation of the District as of January 1, 2011 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
 (b) As provided by TCAD and is included solely for purposes of illustration. Such amount reflects an estimate of the taxable value within the District and is subject to review and change by TCAD. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."
 (c) Includes the Bonds, excludes the Refunded Bonds. Preliminary; subject to change.
 (d) Unaudited as of June 19, 2012. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
 (e) Based upon 3.5 residents per occupied single family home.

Unlimited Tax Bonds Authorized but Unissued - Table 5

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

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Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
12/01/98	Water, Sanitary Sewer & Drainage	1998	\$ 1,425,000	\$ -
10/01/03	Water, Sanitary Sewer & Drainage	2003	1,670,000	110,000
06/01/05	Water, Sanitary Sewer & Drainage	2005	3,000,000	285,000
10/01/11	Water, Sanitary Sewer & Drainage	2011	2,000,000	2,000,000
	Subtotal		<u>\$ 8,095,000</u>	<u>\$ 2,395,000</u>
B. Refunding Bonds				
3/1/2004	Refunding	2004	\$ 1,324,999	\$ 295,000
8/1/2012	Refunding	2012	3,835,000	3,835,000 ^(b)
	Subtotal		<u>\$ 5,159,999</u>	<u>\$ 4,130,000</u>
	Total		<u>\$ 13,254,999</u>	<u>\$ 6,525,000</u>

(a) Preliminary; subject to change. Includes the Bonds; excludes the Refunded Bonds.

(b) The Bonds. Preliminary; subject to change.

Cash and Investment Balances - Table 7 ^(a)

General Fund	\$ 429,348
Debt Service Fund	654,276 (b)
Capital Projects Fund	77,531

(a) Unaudited as of June 19, 2012.

(b) Neither Texas Law nor the Bond Order 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) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State, a primary government securities dealer or a financial institution doing business in the State; (9) 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; (10) 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)

EXHIBIT 2

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; (11) 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 (12) 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. In addition, bond proceeds may 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 below.

A political subdivision such as the District may enter into 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 (10) through (12) above, 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 the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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 of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period, (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 of Directors.

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

EXHIBIT 2

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, as of June 19, 2012, is primarily invested in TexPool and Certificates of Deposit. 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 investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has 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 TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each 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 June 19, 2012	
Cash	\$ 12,866
Texpool	98,289
Certificates of Deposit	1,050,000
Total Investments	\$ 1,161,155

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.

(The chart appears on following page)

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Taxing Body	Gross Debt		% of Overlapping Gross Debt	Amount of Overlapping Gross Debt
	Amount	As of		
Travis County	640,674,987	7/1/2012	0.08%	487,302
Travis County ESD No. 8	(a)	7/1/2012	0.00%	-
Travis County Healthcare District	15,070,000	7/1/2012	0.08%	11,592
Austin Community College	91,333,659	7/1/2012	0.07%	60,769
Del Valle Independent School District	160,380,000	7/1/2012	2.59%	4,149,672
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 4,709,335
The District (b)	\$ 6,525,000	8/1/2012	100.00%	\$ 6,525,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 11,234,335
Ratio of Estimated and Overlapping Debt to Certified 2011 Assessed Valuation				15.04%
Ratio of Estimated and Overlapping Debt to Preliminary 2012 Assessed Valuation				16.30%

(a) Taxing jurisdiction with no outstanding debt.

(b) Includes the Bonds; excludes the Refunded Bonds. Preliminary; subject to change.

Overlapping Taxes for 2011

Overlapping Entity	2011 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Travis County	Travis County
Travis County	\$0.4855	\$ 481
Travis County ESD No. 8	0.1000	99
Travis County Healthcare District	0.0789	78
Austin Community College	0.0948	94
Del Valle Independent School District	1.5300	1,515
The District	0.9100	901
Total	\$3.1992	\$ 3,168

(a) Based upon the 2011 average single-family home value of \$99,014 as provided by TCAD.

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TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 73,065,994	89.71%	\$ 68,163,982	89.66%	\$ 82,096,641	90.88%
Vacant Lots	3,369	0.00%	723,969	0.95%	3,369	0.00%
Acreage (Non-Ag)	220,666	0.27%	409,277	0.54%	172,571	0.19%
Acreage (Ag)	3,996,173	4.91%	3,074,624	4.04%	3,264,143	3.61%
Commercial Personal Property	2,765	0.00%	32,306	0.04%	43,604	0.05%
Utilities	14,296	0.02%	10,830	0.01%	9,499	0.01%
Farm & Ranch Improvements	187,514	0.23%	170,514	0.22%	184,653	0.20%
Residential Inventory	2,775,538	3.41%	1,966,133	2.59%	2,741,220	3.03%
Totally Exempt Property	1,178,972	1.45%	1,474,234	1.94%	1,820,893	2.02%
Total	\$ 81,445,287	100.00%	\$ 76,025,869	100.00%	\$ 90,336,593	100.00%

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	Assessed Valuation (a)	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2000	24,737,299	0.7300	180,582	180,335	99.86%	178,709	98.96%	9/30/2001 ^(b)
2001	27,887,911	0.7300	203,582	203,581	100.00%	206,635	101.50%	9/30/2002 ^(b)
2002	37,463,116	0.7300	273,481	273,481	100.00%	273,643	100.06%	9/30/2003 ^(b)
2003	37,711,849	0.7300	275,296	273,897	99.49%	273,897	99.49%	9/30/2004 ^(b)
2004	43,835,263	0.7300	319,997	318,219	99.44%	319,618	99.88%	9/30/2005 ^(b)
2005	47,814,799	0.7300	349,048	348,688	99.90%	350,466	100.41%	9/30/2006 ^(b)
2006	59,847,121	0.7300	436,884	432,474	98.99%	432,834	99.07%	9/30/2007 ^(b)
2007	69,376,054	0.7595	526,911	524,513	99.54%	527,759	100.16%	9/30/2008 ^(b)
2008	80,076,795	0.7595	608,307	600,957	98.79%	602,466	99.04%	9/30/2009 ^(b)
2009	84,077,000	0.7595	638,565	635,344	99.50%	642,306	100.59%	9/30/2010 ^(b)
2010	71,123,909	0.9100	647,228	639,886	98.87%	641,674	99.14%	9/30/2011 ^(b)
2011	74,681,679	0.9100	678,613	669,112	98.60%	669,112	98.60%	9/30/2012 ^(c)

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects collections through May 1, 2012. Taxes were due January 31st, 2012.

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District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2011	2010	2009	2008	2007
Debt Service	\$ 0.6607	\$ 0.5939	\$ 0.5173	\$ 0.5662	\$ 0.6009
Maintenance	0.2493	0.3161	0.2422	0.1933	0.1586
Total	<u>\$ 0.9100</u>	<u>\$ 0.9100</u>	<u>\$ 0.7595</u>	<u>\$ 0.7595</u>	<u>\$ 0.7595</u>

Tax Rate Limitation

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 and 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 2011 maintenance and operations tax of \$0.2493/\$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2011, 2010 and 2009 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2011^(a)	2010^(b)	2009^(c)
S.R. Development, Inc.	Land and Improvements	\$ 2,454,440	\$ 2,961,713	2,450,441
Lennar Homes of Texas	Land and Improvements	1,373,604	840,141	381,691
Secretary of Housing & Urban Development	Land and Improvements	776,109	645,485	747,001
GMAC Mortgage LLC	Land and Improvements	258,019	(d)	(d)
DWJ Holdings LLC	Land	192,098	(d)	(d)
M C Joint Venture	Land and Improvements	182,396	182,396	(d)
Wells Fargo Bank NA	Land and Improvements	(d)	184,637	(d)
BAC Home Loans Servicing LP	Land and Improvements	(d)	182,078	(d)
Secretary of Veteran Affairs	Land and Improvements	(d)	(d)	339,414
Total		<u>\$ 5,236,666</u>	<u>\$ 4,996,450</u>	<u>\$ 3,918,547</u>
Percent of Assessed Valuation		7.01%	7.02%	4.66%

- (a) Excludes approximately \$623,628 in value representing homes owned by individuals.
- (b) Excludes approximately \$413,413 in value representing homes owned by individuals.
- (c) Excludes approximately \$1,080,467 in value representing homes owned by individuals.
- (d) Not a principal taxpayer in such year.

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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 2011 certified assessed valuation and the preliminary 2012 assessed valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. 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).....	\$525,168
\$0.75 Tax Rate on 2011 Certified Assessed Valuation of \$74,681,679 @ 95% collections produces	\$532,107
\$0.81 Tax Rate on Preliminary 2012 Assessed Valuation of \$68,915,384 @ 95% collections produces	\$530,304
Projected Maximum Annual Debt Service Requirements on the Bonds (2018).....	\$585,039
\$0.83 Tax Rate on 2011 Certified Assessed Valuation of \$74,681,679 @ 95% collections produces	\$588,865
\$0.90 Tax Rate on Preliminary 2012 Assessed Valuation of \$68,915,384 @ 95% collections produces	\$589,227

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/12.....	\$ 545,665 ^(a)
Audited Debt Service Fund Balance as of 9/30/11	116,035 ^(b)
2011 Tax Levy @ 95% collections produces	468,751 ^(c)
Capitalized Interest (Series 2011)	187,649 ^(d)
Total Available for Debt Service.....	<u>\$772,435</u>
Projected Debt Service Fund Balance as of September 30, 2012.....	\$ 226,770

(a) Interest payments on the Bonds commences March 1, 2013.

(b) Audited as of September 30, 2011. Represents fund balance after all 2011 debt service requirements have been paid.

(c) The District levied a 2011 debt service tax rate of \$0.6607.

(d) Capitalized interest included in the District's Unlimited Tax Bonds, Series 2011, and deposited into the District's debt service fund on October 13, 2011.

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, its other remaining outstanding bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond 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 - Tax Rate Limitation."

Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District has the responsibility for appraising property for all taxing units within

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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").

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. Disabled veterans who receive from the United States Department of Veterans Affairs, or its successors, a rating of 100% disabled are entitled to an exemption from taxation of the total appraised value of the residential homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. 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.

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

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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 residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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 2011". 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 property within two years after the purchaser's deed issued at the foreclosure sale

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is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS - General - Tax Collections and Foreclosure Remedies."

Effect of FIRREA on Tax Collections

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("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 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 lien 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 property taxes when due and (iii) notwithstanding the 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.

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 owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State 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 legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING - Refunded Bonds," "THE BONDS" (except for the subcaptions "DTC Redemption Provision," "Payment Record" and "Remedies in Event of Default"), "LEGAL MATTERS - Legal Opinions", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") to determine that the information relating to the Bonds and the Bond Order contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

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 Underwriters 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.

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VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS

Grant Thornton, L.L.P., a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the District its verification report indicating that it has performed certain procedures to verify, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of the information provided by the Financial Advisor relating to (a) the sufficiency of the anticipated receipts from the Escrowed Securities, together with the initial cash deposit, if any, to pay, when due, the principal and interest on the Refunded Bonds and (b) the "Yield" on the Escrowed Securities and on the Bonds. Such computations will be completed using certain assumptions and information provided by Southwest Securities on behalf of the District. Grant Thornton, L.L.P. has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

TAX MATTERS

Opinion

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

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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.

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

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

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

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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.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB 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.

Notice of Certain Events

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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

EXHIBIT 2

agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "— Annual Reports."

Availability of Information from 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 and will be available to the public free of charge at www.emma.msrb.org.

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.

The District may amend its continuing disclosure 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 or purchaser from lawfully purchasing or selling the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has been in compliance with all material provisions of its continuing disclosure undertakings in accordance with the Rule.

EXHIBIT 2

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.

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 as experts 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.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Ms. Tina Morton, A/C in reliance upon her authority in the field of tax assessing and collecting.

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 so long as the District has bonds outstanding. 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 Facilities Commission.

EXHIBIT 2

This Official Statement was approved by the Board of Directors of the District, as of the date shown on the first page hereof.

/s/
Charles H. Scott
President, Board of Directors
Moore's Crossing Municipal Utility District

/s/
Michelle Bolin
Secretary, Board of Directors
Moore's Crossing Municipal Utility District

EXHIBIT 2

PHOTOGRAPHS

The following photographs were taken in the District in August 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."



EXHIBIT 2



EXHIBIT 2



EXHIBIT 2



EXHIBIT 2

APPENDIX A AUDITED FINANCIAL STATEMENTS

The information contained in this appendix has been excerpted from the audited financial statement of Moore's Crossing Municipal Utility District for the fiscal year ended September 30, 2011. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

EXHIBIT 2

**MOORE'S CROSSING
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2011
and Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

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EXHIBIT 2
ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, _____
(Name of Duly Authorized District Representative)

of the MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT.

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2011 and that copies of the annual audit report have been filed in the district office, located at 100 Congress Avenue, Ste. 1300, Austin, TX 78701.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: _____, 20____. By: _____
(Signature of District Representative)

Charles H. Scott, Board President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, 20____.

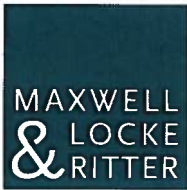
(Signature of Notary)

(SEAL)

(Printed Name of Notary)

My Commission Expires On: _____
Notary Public in and for the State of Texas.

EXHIBIT 2



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 303 East Main Street
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Moore's Crossing Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Moore's Crossing Municipal Utility District (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2011, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

EXHIBIT 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maxwell Socha + Pitter LLP

January 9, 2012

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended September 30, 2011

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Moore's Crossing Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2011. Please read it in connection with the District's financial statements that follow.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Assets and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Assets and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled "Total Governmental Funds") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Assets and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

EXHIBIT 2

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Assets

	Governmental Activities		
	2011	2010	% Change
Current and other assets	\$ 575,453	\$ 494,691	16%
Capital and non-current assets	5,308,980	5,349,633	(1%)
Total assets	\$ 5,884,433	\$ 5,844,324	1%
Current liabilities	\$ 272,745	\$ 260,745	5%
Long-term liabilities	4,253,164	4,496,137	(5%)
Total liabilities	\$ 4,525,909	\$ 4,756,882	(5%)
Invested in capital assets, net of related debt	\$ 889,391	\$ 818,022	9%
Restricted	100,366	126,182	(20%)
Unrestricted	368,767	143,238	157%
Total net assets	\$ 1,358,524	\$ 1,087,442	25%

The District's total assets were approximately \$5.9 million as of September 30, 2011. Of this amount, approximately \$5.3 million is accounted for by capital assets and unamortized deferred charges. The District had outstanding liabilities of approximately \$4.5 million of which approximately \$4.5 million represent bonds payable.

The District's assessed value for fiscal year 2011 (which is based on the 2010 tax levy) was approximately \$71.1 million compared to approximately \$84.1 million for fiscal year 2010. The tax rate is set after modeling revenue and expenses for the upcoming five year period. The District's primary revenue source is property taxes.

Sources of Revenue

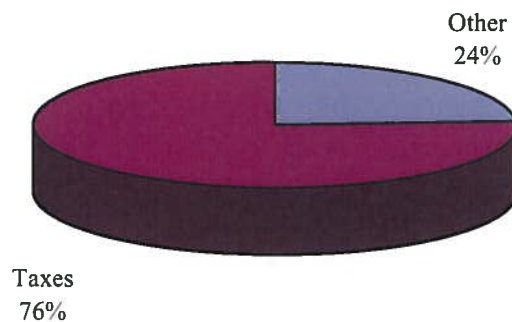


EXHIBIT 2

Statement of Activities

	Governmental Activities		
	2011	2010	% Change
Property taxes	\$ 645,118	\$ 640,787	1%
Other	207,926	23,982	767%
Total revenues	\$ 853,044	\$ 664,769	28%
Service operations	200,766	157,410	28%
Debt service	218,876	229,275	(5%)
Depreciation	140,104	135,472	4%
Amortization	22,216	21,857	2%
Total expenses	581,962	544,014	7%
Change in net assets	271,082	120,755	124%
Beginning net assets	1,087,442	966,687	12%
Ending net assets	\$ 1,358,524	\$ 1,087,442	25%

Operating revenues increased by approximately \$188,000 to approximately \$853,000 for the fiscal year ended September 30, 2011. Property taxes generated approximately \$645,000 in revenues and contribution and service revenues provided approximately \$208,000. Total expenses increased approximately \$38,000 to approximately \$582,000 for the fiscal year ended September 30, 2011. Net assets increased approximately \$271,000 for the fiscal year ended September 30, 2011 compared to an increase of approximately \$121,000 for the fiscal year ended September 30, 2010.

Analysis of Governmental Funds

	2011	2010	2009
Cash	\$ 13,836	\$ 5,232	\$ 16,358
Investments	557,071	485,101	422,134
Receivables	6,939	4,534	11,554
Prepays	1,462	806	805
Total assets	\$ 579,308	\$ 495,673	\$ 450,851
Accounts payable	\$ 10,125	\$ 7,321	\$ 25,434
Other liabilities	6,683	3,515	10,896
Total liabilities	16,808	10,836	36,330
Nonspendable	1,462	806	805
Restricted	194,145	341,728	350,504
Assigned	24,259	-	-
Unassigned	342,634	142,303	63,212
Total fund balances	562,500	484,837	414,521
Total liabilities and fund balances	\$ 579,308	\$ 495,673	\$ 450,851

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For the year ended September 30, 2011, the District adopted Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board of Directors that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund

The *General Fund* pays for daily operating expenses. When comparing actual to budget, revenues were greater than budgeted by approximately \$176,000 due to contribution revenue received in the current fiscal year. Expenditures were greater than budgeted by approximately \$2,000 due to increased chemical and legal expenditures and no capital outlay in the current fiscal year. More detailed information about the District's budgetary comparison is presented in the *Notes to Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$235,000 and interest of \$217,231. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* purchases the District's infrastructure. During the fiscal year, the District had capital outlay expenditures of \$115,543 for additional developer interest paid out of bond surplus funds.

Capital Assets

	2011	2010
Water, wastewater, and drainage facilities	\$ 6,095,209	\$ 5,979,666
Common and recreation areas	6,220	6,220
Subtotal	6,101,429	5,985,886
Accumulated depreciation	(1,090,357)	(950,253)
Total	\$ 5,011,072	\$ 5,035,633

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

EXHIBIT 2

Long-Term Debt Activity

	2011	2010
Series 2003 Bonds	\$ 1,340,000	\$ 1,390,000
Series 2004 Bonds	710,000	805,000
Series 2005 Bonds	2,475,000	2,565,000
Total	\$ 4,525,000	\$ 4,760,000

The District owes approximately \$4.5 million to bond holders. During the year, the principal balance was reduced by \$235,000. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The tax rate has been set at \$0.91 per \$100 of assessed valuation. The adopted budget for 2012 projects a General Fund fund balance decrease of approximately \$24,000. When compared to the 2011 budget, revenues are expected to decrease by approximately 17% due to a decrease in property tax revenues. Expenditures are expected to increase by approximately 21% due to an increase in chemical and repairs and maintenance expenditures. Approximately 27% of the property tax will fund general operating expenditures, and approximately 73% of the property tax will be set aside for debt service.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, TX 78701.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
<u>ASSETS</u>						
Cash	\$ 13,836	-	-	13,836	-	13,836
Investments	359,132	117,191	80,748	557,071	-	557,071
Receivables:						
Taxes	877	1,652	-	2,529	-	2,529
Other	494	-	61	555	-	555
Due from other funds	3,855	-	-	3,855	(3,855)	-
Prepaid expenses	997	465	-	1,462	-	1,462
Deferred charges, net	-	-	-	-	297,908	297,908
Capital assets (net of accumulated depreciation):						
Water, wastewater, and drainage facilities	-	-	-	-	5,010,805	5,010,805
Common and recreation areas	-	-	-	-	267	267
Total assets	<u>\$ 379,191</u>	<u>119,308</u>	<u>80,809</u>	<u>579,308</u>	<u>5,305,125</u>	<u>5,884,433</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 10,125	-	-	10,125	-	10,125
Other liabilities	299	-	-	299	-	299
Accrued bond interest payable	-	-	-	-	17,321	17,321
Deferred revenue	877	1,652	-	2,529	(2,529)	-
Due to other funds	-	1,621	2,234	3,855	(3,855)	-
Long-term liabilities:						
Due within one year	-	-	-	-	245,000	245,000
Due after one year	-	-	-	-	4,253,164	4,253,164
Total liabilities	<u>11,301</u>	<u>3,273</u>	<u>2,234</u>	<u>16,808</u>	<u>4,509,101</u>	<u>4,525,909</u>
<u>FUND BALANCE/NET ASSETS</u>						
Fund balances:						
Nonspendable	997	465	-	1,462	(1,462)	-
Restricted for:						
Debt service	-	115,570	-	115,570	(115,570)	-
Capital projects	-	-	78,575	78,575	(78,575)	-
Assigned to-						
Subsequent fiscal year's budget deficit	24,259	-	-	24,259	(24,259)	-
Unassigned	342,634	-	-	342,634	(342,634)	-
Total fund balance	<u>367,890</u>	<u>116,035</u>	<u>78,575</u>	<u>562,500</u>	<u>(562,500)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 379,191</u>	<u>119,308</u>	<u>80,809</u>	<u>579,308</u>		
Net assets:						
Invested in capital assets, net of related debt					\$ 889,391	889,391
Restricted for debt service					100,366	100,366
Unrestricted					368,767	368,767
Total net assets					<u>\$ 1,358,524</u>	<u>1,358,524</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
REVENUES:						
Property taxes, including penalties and interest	\$ 223,874	420,927	-	644,801	317	645,118
Drainage fees	3,600	-	-	3,600	-	3,600
Interest	1,304	2,107	716	4,127	-	4,127
Contributions	200,000	-	-	200,000	-	200,000
Other	199	-	-	199	-	199
Total revenues	428,977	423,034	716	852,727	317	853,044
EXPENDITURES/EXPENSES:						
Service operations:						
Repairs and maintenance	20,846	-	-	20,846	-	20,846
Chemicals	30,109	-	-	30,109	-	30,109
Utilities/telephone	4,372	-	-	4,372	-	4,372
Security lights	8,426	-	-	8,426	-	8,426
Landscape maintenance	29,790	-	-	29,790	-	29,790
Directors' fees	9,366	-	-	9,366	-	9,366
Management fees	12,344	-	-	12,344	-	12,344
Legal fees	35,523	-	-	35,523	-	35,523
Engineering fees	6,208	-	-	6,208	-	6,208
Audit fees	11,000	-	-	11,000	-	11,000
Bookkeeping fees	16,444	-	-	16,444	-	16,444
Tax appraisal/collection	1,172	3,199	-	4,371	-	4,371
Other consulting fees	1,159	2,678	-	3,837	-	3,837
Insurance	1,456	-	-	1,456	-	1,456
Other	6,674	-	-	6,674	-	6,674
Debt service:						
Principal payments	-	235,000	-	235,000	(235,000)	-
Interest	-	217,231	-	217,231	1,245	218,476
Fiscal agent fees and other	-	400	6,124	6,524	(6,124)	400
Capital outlay	-	-	115,543	115,543	(115,543)	-
Depreciation	-	-	-	-	140,104	140,104
Amortization	-	-	-	-	22,216	22,216
Total expenditures/expenses	194,889	458,508	121,667	775,064	(193,102)	581,962
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	234,088	(35,474)	(120,951)	77,663	193,419	271,082
OTHER FINANCING SOURCES (USES)-						
Transfer-internal activities	(8,758)	8,758	-	-	-	-
Total Other Financing Sources (Uses)	(8,758)	8,758	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	225,330	(26,716)	(120,951)	77,663	(77,663)	-
Change in net assets					271,082	271,082
FUND BALANCES/NET ASSETS:						
Beginning of year	142,560	142,751	199,526	484,837	602,605	1,087,442
End of year	\$ 367,890	116,035	78,575	562,500	796,024	1,358,524

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Property taxes, including penalties and interest	\$ 221,037	223,874	2,837
Drainage fees	30,600	3,600	(27,000)
Interest	1,124	1,304	180
Contributions	-	200,000	200,000
Other	-	199	199
Total revenues	252,761	428,977	176,216
EXPENDITURES:			
Service operations:			
Repairs and maintenance	14,000	20,846	(6,846)
Chemicals	13,500	30,109	(16,609)
Utilities/telephone	4,250	4,372	(122)
Security lights	9,000	8,426	574
Landscape maintenance	30,000	29,790	210
Directors' fees	10,000	9,366	634
Management fees	12,000	12,344	(344)
Legal fees	24,000	35,523	(11,523)
Engineering fees	8,400	6,208	2,192
Audit fees	11,000	11,000	-
Bookkeeping fees	17,500	16,444	1,056
Tax appraisal/collection	1,500	1,172	328
Other consulting fees	500	1,159	(659)
Insurance	1,800	1,456	344
Other	10,650	6,674	3,976
Capital outlay	25,000	-	25,000
Total expenditures	193,100	194,889	(1,789)
EXCESS OF REVENUES OVER EXPENDITURES	59,661	234,088	174,427
OTHER FINANCING USES-			
Transfer-internal activities	-	(8,758)	(8,758)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	59,661	225,330	165,669
FUND BALANCES:			
Beginning of year	142,560	142,560	-
End of year	\$ 202,221	367,890	165,669

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Moore's Crossing Municipal Utility District (the "District"), was created, organized and established on July 17, 1987, by the Texas Commission on Environmental Quality (formerly known as the Texas Water Commission) pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors.

The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements - For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net assets and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

EXHIBIT 2

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred revenue.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund and the Capital Projects Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

EXHIBIT 2

Assets, Liabilities, and Net Assets or Equity

Investments - The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include water, wastewater and drainage systems (purchased, constructed or donated), and common and recreation areas are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives: water, wastewater and drainage systems - five to fifty years, common and recreation areas - five to thirty years.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 8 for additional information on those fund balance classifications.

EXHIBIT 2

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements. Prepaid assets are charged to expenditures when consumed.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds total fund balance	\$ 562,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	5,011,072
Deferred charges on bond issuance costs	297,908
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	2,529
The following liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(4,498,164)
Bond interest payable	(17,321)
Total net assets	<u>\$ 1,358,524</u>

EXHIBIT 2

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues over expenditures	\$ 77,663
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	115,543
Depreciation expense	(140,104)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	317
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of bond principal	235,000
Surplus application costs	6,124
Amortization of bond discount	(2,027)
Certain costs associated with the issuance of bonds are amortized over the life of the bond.	
Amortization of bond issuance costs	(22,216)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	782
Change in net assets	<u>\$ 271,082</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2011, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board of Directors. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, yield, and standard of care.

The District is entitled to invest in obligations of the United States Government and/or its agencies and instrumentalities, certificates of deposit, repurchase agreements with a defined termination date, bankers' acceptance and commercial paper with a stated maturity of 270 days or less, no-load money market funds, and public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

EXHIBIT 2

Investments held at September 30, 2011 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools- TexPool	\$ 307,071	1	AAA-m
Certificates of deposit	250,000	94	Various
Total	<u>\$ 557,071</u>		

Although Texas Local Government Investment Pool ("TexPool") is not registered with the SEC as an investment company, it does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Their investments are stated at fair value which is the same as the value of the pool shares.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit Risk - At September 30, 2011, investments were included in a local governmental investment pool and certificates of deposit with ratings from Standard & Poor's or other ratings agencies in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2011, was as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 2,234
General	Debt Service	1,621
Total		<u>\$ 3,855</u>

During the current year, the General Fund transferred \$8,758 to the Debt Service Fund to provide additional funds to pay for the District's long-term debt.

EXHIBIT 2

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Capital assets, being depreciated:				
Water, wastewater, and drainage facilities	\$ 5,979,666	115,543	-	6,095,209
Common and recreation areas	6,220	-	-	6,220
Total capital assets being depreciated	<u>5,985,886</u>	<u>115,543</u>	<u>-</u>	<u>6,101,429</u>
Less accumulated depreciation for:				
Water, wastewater, and drainage facilities	(944,714)	(139,690)	-	(1,084,404)
Common and recreation areas	(5,539)	(414)	-	(5,953)
Total accumulated depreciation	<u>(950,253)</u>	<u>(140,104)</u>	<u>-</u>	<u>(1,090,357)</u>
Capital assets, net	<u>\$ 5,035,633</u>	<u>(24,561)</u>	<u>-</u>	<u>5,011,072</u>

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Unlimited Tax Bonds	\$ 3,955,000	-	(140,000)	3,815,000
Unlimited Tax Refunding Bonds	805,000	-	(95,000)	710,000
Discount on bonds	(28,863)	-	2,027	(26,836)
Total	<u>\$ 4,731,137</u>	<u>-</u>	<u>(232,973)</u>	<u>4,498,164</u>

Bonds payable at September 30, 2011 consisted of the following:

Series	Description	Matures	Interest Rates	Balance September 30, 2011	Due within one year
2003	Unlimited Tax Bonds	2027	4.00% - 5.30%	\$ 1,340,000	\$ 55,000
2004	Unlimited Tax Refunding Bonds	2018	2.40% - 4.75%	710,000	100,000
2005	Unlimited Tax Bonds	2028	4.00% - 6.00%	2,475,000	90,000
	Total			<u>\$ 4,525,000</u>	<u>\$ 245,000</u>

EXHIBIT 2

Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2012	\$ 245,000	207,857	452,857
2013	250,000	197,770	447,770
2014	255,000	187,693	442,693
2015	265,000	177,120	442,120
2016	280,000	165,666	445,666
2017-2021	1,285,000	637,194	1,922,194
2022-2026	1,400,000	341,167	1,741,167
2027-2028	545,000	36,664	581,664
Total	\$ 4,525,000	1,951,131	6,476,131

The District bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District.

At September 30, 2011, unlimited tax bonds of approximately \$25,905,000 were authorized by the District, but unissued.

7. PROPERTY TAXES

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2010, the District levied a combined tax rate of \$0.91 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.3161 and \$0.5939, respectively. The total 2010 tax levy was \$647,846 based on a taxable valuation of \$71,123,909.

8. FUND BALANCES

For the year ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

EXHIBIT 2

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool ("TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. During the year ended September 30, 2011, there were no significant reductions in insurance coverage from coverage in the prior year. No claims were filed during the last three years.

10. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs related to construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality.

EXHIBIT 2

11. SUBSEQUENT EVENT

On October 13, 2011, the District issued \$2,000,000 in Unlimited Tax Bonds, Series 2011, to finance the District's share of the Stoney Ridge Phase B, North Detention Pond project, water distribution, wastewater collection, and storm drainage facilities serving Stoney Ridge Phase B, Section 2, and certain costs associated with the issuance of the bonds.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2011

<u>SCHEDULE INCLUDED</u>		
<u>YES</u>	<u>NO</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt Comparative Schedule of Revenues and Expenditures - General Fund and
<u>X</u>	<u> </u>	TSI-7 Debt Service Fund - Five Years
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2011

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

Not applicable.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 6 to basic financial statements.

(E) Compliance with Debt Service Requirements

The provisions of the bond resolutions as summarized in Note 6 to basic financial statements relating to debt service requirements have been met.

(F) Redemption of Bonds

See Note 6 to basic financial statements.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2011

1. Services Provided by the District:

- | | | |
|--|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
- Participates in joint venture, regional system and or wastewater service (other than emergency interconnect)
- ☐ Other (specify): _____

2. Retail Service Providers:

a. Retail Rates for a 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ (1)			\$	
WASTEWATER	\$ (1)			\$	
SURCHARGE	\$ (1)				

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water: \$ (1) Wastewater: \$ (1)

(continued)

(1) The District is serviced by the City of Austin.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2011

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
<=3/4"				
1"				
1 1/2"				
2"				
3"				
4"				
6"				
8"				
10"				
Total Water	(1)			
Total Wastewater	(1)			

(1) The District is serviced by the City of Austin.

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	(1)	Water Accountability Ratio:
Gallons billed to customers:	(1)	(Gallons billed/Gallons pumped)
		N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? ☐ Yes ☒ No

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? ☐ Yes ☒ No

If yes, Date of the most recent Commission Order: _____

(continued)

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2011

5. Location of District:

County(ies) in which district is located: Travis

Is the District located entirely within one county? ☒ Yes ☐ No

Is the District located within a city? ☐ Entirely ☐ Partly ☒ Not at all

City(ies) in which District is located: N/A

Is the District located within a city's extra-territorial jurisdiction (ETJ)? ☒ Entirely ☐ Partly ☐ Not at all

ETJ's in which district is located: City of Austin

Are Board members appointed by an office outside the District? ☐ Yes ☒ No

If yes, by whom? N/A

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2011

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	11,000
Legal	35,523
Engineering	6,208
Financial Advisor	1,159
Purchased Services For Resale-	
Bulk Water and Wastewater Service Purchases	-
Contracted Services:	
Bookkeeping	16,444
General Manager	12,344
Appraisal District/Tax Collector	1,172
Other Contracted Services	-
Utilities	12,798
Repairs and Maintenance	50,636
Chemicals	30,109
Administrative Expenditures:	
Directors' Fees	9,366
Office Supplies	-
Insurance	1,456
Other Administrative Expenses	6,674
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	<u>\$ 194,889</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

EXHIBIT 2**MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT****TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS
YEAR ENDED SEPTEMBER 30, 2011**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2011	Accrued Interest Receivable at September 30, 2011
<u>General Fund</u>					
Investment in TexPool	2270900001	Variable	N/A	\$ 184,132	\$ -
Allegiance Bank - CD	1002133998	0.75	2/10/2012	25,000	55
Allegiance Bank - CD	1002134251	0.65	3/29/2012	25,000	14
Allegiance Bank - CD	1002134235	0.65	4/25/2012	25,000	1
Enterprise Bank - CD	20175	0.90	1/23/2012	25,000	77
IBC Bank - CD	1111330948	0.55	10/29/2011	25,000	80
IBC Bank - CD	1111330956	0.55	11/28/2011	25,000	80
IBC Bank - CD	1111330964	0.55	12/28/2011	25,000	79
Totals				359,132	386
<u>Debt Service Fund</u>					
Investment in TexPool	2270900002	Variable	N/A	116,769	-
Investment in TexPool	2270900003	Variable	N/A	422	-
Totals				117,191	-
<u>Capital Projects Fund</u>					
Investment in TexPool	2270900004	Variable	N/A	5,748	-
Allegiance Bank - CD	1002136744	0.65	10/13/2011	25,000	34
Allegiance Bank - CD	1002131801	0.60	11/11/2011	25,000	20
Enterprise Bank - CD	20741	0.60	12/14/2011	25,000	7
Totals				80,748	61
Total - All Funds				\$ 557,071	\$ 447

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2011

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE, SEPTEMBER 30, 2010	\$ 678	\$ 1,534
2010 Tax Roll	225,037	422,809
Adjustments	(2,022)	(3,833)
Total to be accounted for	223,693	420,510
Tax collections:		
Current year	222,273	417,613
Prior years	543	1,245
Total collections	222,816	418,858
TAXES RECEIVABLE, SEPTEMBER 30, 2011	\$ 877	\$ 1,652
TAXES RECEIVABLE, BY YEARS:		
2010	\$ 869	\$ 1,634
2009	4	9
2008	4	9
2007 and prior	-	-
TAXES RECEIVABLE, SEPTEMBER 30, 2011	\$ 877	\$ 1,652

	2010	2009	2008	2007
PROPERTY VALUATIONS-				
Land improvements and personal property	\$ 71,123,909	84,077,000	80,076,795	69,376,054
TAX RATES PER \$100 VALUATION:				
Maintenance tax rates	\$ 0.3161	0.2422	0.1933	0.1586
Debt service tax rates	0.5939	0.5173	0.5662	0.6009
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.9100	0.7595	0.7595	0.7595
ORIGINAL TAX LEVY	\$ 647,846	638,565	608,307	526,911
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	99.6%	99.9%	99.9%	100.0%
MAXIMUM TAX RATE APPROVED BY VOTERS	\$ 1.50 on 11/3/1987			

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS SEPTEMBER 30, 2011

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX BONDS SERIES 2003			UNLIMITED TAX REFUNDING BONDS SERIES 2004			UNLIMITED TAX BONDS SERIES 2005		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2012	\$ 55,000	67,086	122,086	100,000	30,023	130,023	90,000	110,748	200,748
2013	55,000	64,749	119,749	100,000	26,323	126,323	95,000	106,698	201,698
2014	60,000	62,274	122,274	95,000	22,523	117,523	100,000	102,896	202,896
2015	60,000	59,499	119,499	95,000	18,723	113,723	110,000	98,898	208,898
2016	65,000	56,649	121,649	100,000	14,685	114,685	115,000	94,332	209,332
2017	70,000	53,480	123,480	110,000	10,285	120,285	120,000	89,444	209,444
2018	75,000	49,980	124,980	110,000	5,225	115,225	125,000	84,226	209,226
2019	80,000	46,230	126,230	-	-	-	135,000	78,756	213,756
2020	85,000	42,230	127,230	-	-	-	140,000	72,850	212,850
2021	85,000	37,938	122,938	-	-	-	150,000	66,550	216,550
2022	95,000	33,603	128,603	-	-	-	155,000	59,800	214,800
2023	100,000	28,758	128,758	-	-	-	165,000	52,824	217,824
2024	105,000	23,608	128,608	-	-	-	175,000	45,400	220,400
2025	110,000	18,200	128,200	-	-	-	185,000	37,526	222,526
2026	115,000	12,480	127,480	-	-	-	195,000	28,968	223,968
2027	125,000	6,500	131,500	-	-	-	205,000	19,950	224,950
2028	-	-	-	-	-	-	215,000	10,214	225,214
	<u>\$ 1,340,000</u>	<u>663,264</u>	<u>2,003,264</u>	<u>710,000</u>	<u>127,787</u>	<u>837,787</u>	<u>2,475,000</u>	<u>1,160,080</u>	<u>3,635,080</u>

(continued)

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2011

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2012	\$ 245,000	207,857	452,857
2013	250,000	197,770	447,770
2014	255,000	187,693	442,693
2015	265,000	177,120	442,120
2016	280,000	165,666	445,666
2017	300,000	153,209	453,209
2018	310,000	139,431	449,431
2019	215,000	124,986	339,986
2020	225,000	115,080	340,080
2021	235,000	104,488	339,488
2022	250,000	93,403	343,403
2023	265,000	81,582	346,582
2024	280,000	69,008	349,008
2025	295,000	55,726	350,726
2026	310,000	41,448	351,448
2027	330,000	26,450	356,450
2028	215,000	10,214	225,214
	<u>\$ 4,525,000</u>	<u>1,951,131</u>	<u>6,476,131</u>

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2011

	Series 2003	Series 2004	Series 2005	Totals
Interest rate	4.00 - 5.30%	2.40 - 4.75%	4.00 - 6.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/2027	9/1/2018	9/1/2028	
Bonds outstanding, beginning of year	\$ 1,390,000	805,000	2,565,000	4,760,000
Bonds issued during current year	-	-	-	-
Bonds retired during current year	(50,000)	(95,000)	(90,000)	(235,000)
Bonds outstanding, end of year	<u>\$ 1,340,000</u>	<u>710,000</u>	<u>2,475,000</u>	<u>4,525,000</u>
Interest paid during current year	<u>\$ 69,086</u>	<u>33,348</u>	<u>114,797</u>	<u>217,231</u>
Paying agent's name & address:	<u>Wells Fargo</u> <u>Dallas, Texas</u>	<u>Wells Fargo</u> <u>Dallas, Texas</u>	<u>Wells Fargo</u> <u>Dallas, Texas</u>	
	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>	
Bond authority:				
Amount authorized	\$ 32,000,000	-	-	(1)
Amount issued	<u>6,095,000</u>	-	<u>1,324,999</u>	
Remaining to be issued	<u>\$ 25,905,000</u>	-	-	
Debt Service Fund cash and temporary investments balances as of September 30, 2011			<u>\$ 117,191</u>	
Average annual debt service payments (principal & interest) for remaining term of debt			<u>\$ 380,949</u>	

(1) Voter approval of refunding bonds is not required pursuant to Texas Water Code, Sec. 49.106

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES- GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2011

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
GENERAL FUND										
REVENUES:										
Property tax, including penalties and interest	\$ 223,874	205,728	153,965	111,206	91,851	52.2 %	88.7	83.6	87.9	77.3
Drainage fees	3,600	17,100	6,750	11,700	20,250	0.8	7.4	3.7	9.2	17.0
Interest	1,304	1,398	1,399	3,615	6,699	0.3	0.6	0.8	2.9	5.7
Contributions	200,000	-	-	-	-	46.6	-	-	-	-
Other	199	197	270	-	-	0.1	0.1	0.1	-	-
Operating transfer in	-	7,500	21,823	-	-	-	3.2	11.8	-	-
Total revenues and other sources	428,977	231,923	184,207	126,521	118,800	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Repairs and maintenance	20,846	6,344	22,039	10,873	6,104	4.9	2.8	12.0	8.5	5.0
Chemicals	30,109	13,033	16,000	15,800	23,663	7.0	5.6	8.7	12.5	19.9
Utilities/telephone	4,372	4,232	3,069	5,268	4,878	1.0	1.8	1.7	4.2	4.1
Security lights	8,426	8,758	9,488	7,988	8,198	2.0	3.8	5.2	6.3	6.9
Landscape maintenance	29,790	25,628	28,240	20,221	26,672	6.9	11.1	15.3	16.0	22.5
Directors' fees	9,366	9,366	9,689	7,913	8,074	2.2	4.0	5.3	6.3	6.8
Management fees	12,344	11,820	12,000	16,592	16,945	2.9	5.1	6.5	13.1	14.3
Legal fees	35,523	29,003	23,948	20,962	18,224	8.3	12.5	13.0	16.6	15.3
Engineering fees	6,208	5,620	4,478	5,482	6,616	1.4	2.4	2.4	4.3	5.6
Audit fees	11,000	9,000	14,500	10,750	9,750	2.6	3.9	7.8	8.5	8.2
Bookkeeping fees	16,444	17,224	16,790	4,955	-	3.8	7.4	9.1	3.9	-
Tax appraisal/collection	1,172	1,251	976	700	560	0.3	0.5	0.5	0.6	0.5
Other consulting fees	1,159	499	387	1,843	334	0.3	0.2	0.2	1.5	0.3
Insurance	1,456	1,568	1,629	1,494	1,401	0.3	0.7	0.9	1.2	1.2
Other	6,674	9,434	8,882	6,740	8,072	1.6	4.1	4.8	5.3	6.8
Capital outlay	-	-	-	21,823	-	-	-	-	17.2	-
Operating transfer out	8,758	-	-	-	-	2.0	-	-	-	-
Total expenditures and other uses	203,647	152,780	172,115	159,404	139,491	47.5	65.9	93.4	126.0	117.4
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 225,330	79,143	12,092	(32,883)	(20,691)	52.5 %	34.1	6.6	(26.0)	(17.4)

(continued)

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-

GENERAL FUND AND DEBT SERVICE FUND (continued)

FIVE YEARS ENDED SEPTEMBER 30, 2011

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
DEBT SERVICE FUND										
REVENUES:										
Property taxes, including penalties and interest	\$ 420,927	440,235	451,317	421,280	343,287	97.5 %	99.3	98.7	97.5	94.4
Interest	2,107	3,320	6,140	10,945	20,224	0.5	0.7	1.3	2.5	5.6
Transfer in	8,758	-	-	-	-	2.0	-	-	-	-
Total revenues and other sources	431,792	443,555	457,457	432,225	363,511	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Bond principal	235,000	215,000	205,000	195,000	190,000	54.5	48.5	44.8	45.1	52.3
Interest	217,231	225,619	234,619	242,878	250,598	50.3	50.9	51.3	56.2	68.9
Fiscal agent fees and other	3,078	2,666	2,333	2,406	2,446	0.7	0.6	0.5	0.6	0.7
Tax appraisal/collection	3,199	2,834	2,986	2,646	2,125	0.7	0.6	0.7	0.6	0.6
Total expenditures	458,508	446,119	444,938	442,930	445,169	106.2	100.6	97.3	102.5	122.5
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (26,716)	(2,564)	12,519	(10,705)	(81,658)	(6.2) %	(0.6)	2.7	(2.5)	(22.5)
TOTAL ACTIVE RETAIL WATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					

(1) The District is serviced by the City of Austin.

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2011

Complete District Mailing Address: c/o Ambrust & Brown, PLLC
100 Congress Ave., Ste. 1300, Austin, TX 78701

District Business Telephone Number: (512) 435 - 2300

Submission date of the most recent District Registration Form: November 18, 2011
(TWC Sections 36.054 and 49.054)

Limit on fees of office that a director may receive during a fiscal year: \$7,200
(Set by Board Resolution - TWC Sections 49.060)

<u>Name and Address</u>	<u>Term of Office Elected or Appointed & Expires or Date Hired</u>	<u>Fees 9/30/11</u>	<u>Expense Reimbursements 9/30/11</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Charles H. Scott	(Elected) 5/08-5/12	\$1,800	-	President
Ann Carroll	(Elected) 5/10-5/14	\$1,650	\$172	Vice President
Michelle Bolin	(Elected) 5/10-5/14	\$1,800	\$187	Secretary
Gregory D. Schroen	(Elected) 5/08-5/12	\$1,800	\$249	Treasurer
John Foradory	(Appointed) 5/08-5/12	\$1,650	\$149	Assistant Secretary/ Assistant Treasurer

Note: No director is disqualified from serving on this board under the Texas Water Code.

(continued)

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2011

Name and Address	Date Hired	Fees and Expense Reimbursements 9/30/11	Title at Year End
<u>Consultants:</u>			
SWWC Services, Inc.	2000	\$8,940	Former General Manager/Operator
Crossroads Utility Services	2010	\$12,780	General Manager/Operator
Armbrust & Brown, PLLC	2000	\$41,031	Attorney
TexaScapes	2000	\$29,790	Landscaper
Schroeder Engineering Company	2000	\$7,090	Engineer
Municipal Accounts & Consulting	2008	\$17,568	Bookkeeper
Southwest Securities	2000	\$1,838	Financial Advisor
Travis County Tax Assessor/Collector	2000	\$3,347	Tax Collector
Maxwell Locke & Ritter LLP	2009	\$14,000	Auditor

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2011

Taxpayer	Type of Property	Tax Roll Year		
		2011	2010	2009
S.R. Development, Inc.	Real and Improved	\$2,454,440	\$2,758,968	\$2,450,441
Lennar Homes of Texas	Real and Improved	1,373,604	840,141	381,691
Secretary of Housing & Urban Development	Real and Improved	776,109	645,485	747,001
GMAC Mortgage LLC	Real and Improved	258,019	-	-
DWJ Holdings LLC	Real and Improved	192,098	-	-
M C Joint Venture	Real and Improved	182,396	182,396	-
Minjarez, Sonya	Real and Improved	161,164	-	-
Williams, Karla	Real and Improved	159,974	-	-
Flores, Alexander	Real and Improved	151,245	-	-
Rodriguez, Adrian Salazar	Real and Improved	151,245	-	-
S.R. Development, Inc.	Real and Improved	-	202,745	-
Wells Fargo Bank NA	Real and Improved	-	184,637	-
BAC Home Loans Servicing LP	Real and Improved	-	182,078	-
Barber, J.S. & K.B.	Real and Improved	-	141,852	177,953
Robles Christopher	Real and Improved	-	137,205	-
Martinez Juan	Real and Improved	-	134,356	-
Secretary of Veterans Affairs	Real and Improved	-	-	339,414
Mazzuca, M.E.	Real and Improved	-	-	212,403
Santos, J.R.	Real and Improved	-	-	177,123
Ganous, L.	Real and Improved	-	-	172,106
Moreno, D.S. & M.W.	Real and Improved	-	-	170,441
Segura, A. & Castro, G.	Real and Improved	-	-	170,441
Total		\$5,860,294	5,409,863	4,999,014
Percent of Assessed Valuation		7.2%	7.1%	5.5%

EXHIBIT 2

MOORE'S CROSSING MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2011

Type of Property	Tax Roll Year					
	2011		2010		2009	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 73,065,994	89.6%	\$ 68,163,982	89.7%	\$ 82,096,641	90.8%
Vacant Lots	3,369	0.1%	723,969	1.0%	3,369	0.1%
Acreage (Non-Ag)	220,666	0.3%	409,277	0.5%	172,571	0.2%
Acreage (Ag)	3,996,173	4.8%	3,074,624	3.9%	3,264,143	3.5%
Commercial Personal	2,765	0.1%	32,306	0.1%	43,604	0.1%
Utilities	14,296	0.1%	10,830	0.1%	9,499	0.1%
Farm & Ranch Improvements	187,514	0.2%	170,514	0.2%	184,653	0.2%
Residential Inventory	2,775,538	3.4%	1,966,133	2.6%	2,741,220	3.0%
Totally Exempt Property	1,178,972	1.4%	1,474,234	1.9%	1,820,893	2.0%
Total	<u>\$ 81,445,287</u>	<u>100.0%</u>	<u>\$ 76,025,869</u>	<u>100.0%</u>	<u>\$ 90,336,593</u>	<u>100.0%</u>

EXHIBIT 2

APPENDIX B FORM OF BOND COUNSEL OPINION

EXHIBIT 2

APPENDIX C SCHEDULE OF ACCRETED VALUES