

**TRANSCRIPT**

**\$2,055,000**

**SOUTH BUDA WATER CONTROL  
AND  
IMPROVEMENT DISTRICT NO. 1  
UNLIMITED TAX ROAD BONDS, SERIES 2013**

<b>FINANCIAL ADVISOR:</b>	<b>Specialized Public Finance Inc.</b>
<b>PURCHASER:</b>	<b>Southwest Securities, Inc.</b>
<b>BOND COUNSEL:</b>	<b>Willatt &amp; Flickinger</b>
<b>UNDERWRITER'S COUNSEL:</b>	<b>Andrews Kurth L.L.P.</b>

**\$2,055,000**  
**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**UNLIMITED TAX ROAD BONDS, SERIES 2013**

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**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**2001 NORTH LAMAR • AUSTIN, TEXAS 78705**

November 21, 2013

Attorney General of Texas  
P.O. Box 12548  
Capitol Station  
Austin, Texas 78711-2548  
Attn: Public Finance Division

**Re: \$2,055,000 South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013**

Gentlemen:

These bonds will be sent to you for approval and I enclose one (1) executed but undated General and No-Litigation Certificate. Upon approval of the bonds, you are authorized and respectfully requested to insert the date in that certificate, which date is to be the same as your approval date. If any litigation should develop before you have approved the bonds, I will notify you at once by telephone and in writing. With that assurance you can rely upon the absence of litigation at the time that you approve the bonds unless I advise you to the contrary. After you have approved the bonds, please deliver them to the Comptroller of Public Accounts of Texas for registration.

Sincerely yours,

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

By: *Mar. D. May*  
President, Board of Directors

Enclosure



**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
2001 NORTH LAMAR • AUSTIN, TEXAS 78705

November 21, 2013

The Comptroller of Public Accounts  
Public Finance Division  
Capitol Station  
Austin, Texas 78774

**Re: \$2,055,000 South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013**

Gentlemen:

The approved Bonds of the above-captioned Series will be delivered to you by the Attorney General of Texas. You are hereby requested to register the Bonds as required by law and by the proceedings authorizing the Bonds.

After such registration you are hereby authorized and requested to deliver the Bonds as instructed by our bond counsel, Mike Willatt of Willatt & Flickinger, 2001 North Lamar, Austin, Texas 78705.

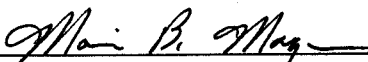
Please also send to Mike Willatt six (6) copies of each of the following:

- (1) Attorney General's Approving Opinion
- (2) Comptroller's Signature Certificate

Your statement for service should be sent to: Dan Wegmiller, Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

Sincerely yours,

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

By:   
President, Board of Directors

## GENERAL AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS           §  
  §  
COUNTY OF HAYS           §

### SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

We, the undersigned President and Secretary, respectively, of the Board of Directors of the District, hereby certify as follows:

#### GENERAL

1. This certificate is executed for and on behalf of the District, for the benefit of the Attorney General of the State of Texas and for the benefit of the Initial Purchasers in connection with the issuance of the Bonds. The words and terms used herein shall have the meanings whenever they are used given in Exhibit "A" attached hereto.

2. Any certificate signed by an official of the District delivered to the Initial Purchasers or the Attorney General of the State of Texas shall be deemed a representation and warranty by the District as to the statements made therein. The Public Finance Division of the Office of the Attorney General of the State of Texas is hereby authorized to date this certificate as of the date of approval of the Bonds and is entitled to rely upon the accuracy of the information contained herein unless notified by telephone or fax to the contrary. The Comptroller of Public Accounts is further authorized to register the Bonds upon receipt of the Attorney General approval. After registration, the Bonds, opinions and registration papers shall be delivered as instructed by the District's Bond Counsel, Mike Willatt, Willatt & Flickinger, 2001 North Lamar, Austin, Texas 78705.

3. A true and correct cop of the bid for the Bonds submitted to and accepted by the Board of Directors of the District is attached hereto as Exhibit "B".

#### MATTERS RELATING TO THE DISTRICT

4. We officially executed and signed the Bonds with our manual signatures or by causing facsimiles of our manual signatures to be imprinted or copied on each of the Bonds, and, if appropriate, we hereby adopt said facsimile signatures as our own, respectively, and declare that the facsimile signatures constitute our signatures the same as if we had manually signed each of the Bonds.

5. The Bonds are substantially in the form, and have been duly executed and signed in the manner prescribed in the Order.

6. At the time we so executed and signed the Bonds we were, and at the time of executing this certificate we are, the duly chosen, qualified and acting officers indicated therein, and

authorized to execute the same.

7. No litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened.

8. Neither the corporate existence nor boundaries of District is being contested, no litigation has been filed or is now pending which would affect the authority of the officers of the District to issue, execute, sign and deliver the Bonds, and no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded.

9. We have caused the official seal of the District to be impressed, or printed, or copied on the Bonds and said seal on the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the District.

10. The District is a conservation and reclamation district operating and existing under provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51, Texas Water Code, as amended and Acts 2005, 79<sup>th</sup> Leg. Chs. 429 and 1323, the later being codified as at Chapter 9004, Special District Local Laws Code.

11. The following individuals are presently the duly elected or appointed and qualified directors and officers of the District holding offices opposite their names as indicated below.

<u>Name</u>	<u>Office</u>	<u>Term of Office Expires</u>
Marvin B. Morgan	President	05/2016
Sean M. Denton	Vice President	05/2016
Eric Nelsen	Secretary	05/2016
Joe Priesnitz	Assistant Secretary	05/2014
John Fowler	Assistant Secretary	05/2014

The directors and officers of the District since the creation of the District are attached hereto as Exhibit "C".

12. Each member of the Board of Directors of the District has duly qualified as a member of the Board of Directors by executing the sworn statement (when required), by executing the bond required by law, and by taking the official oath of office prescribed by the Constitution for public officers, each such bond was duly approved by the Board of Directors of the District, and each such

bond, sworn statement and oath are filed and retained in the District's records and with the Secretary of State. All Directors taking or who have taken any action in connection with the authorization, sale, and delivery of the Bonds are or were at the time of such action, duly qualified and acting directors of the District, and all directors executing any documents in connection therewith were duly authorized to execute such documents.

13. Other than the Bonds in the process of issuance, the District has outstanding indebtedness payable from or secured by a pledge of ad valorem taxes levied by the District as follows: South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds, Series 2010, currently outstanding in the amount of \$2,810,000 and the South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds, Series 2011, currently outstanding in the amount of \$3,145,000.

14. The assessed value of all taxable real estate (net of exemptions), in Hays County, as shown by the tax rolls for the year 2013, which have been duly approved and are the latest official assessment of taxable property in Hays County, is as follows:

TOTAL ASSESSED TAXABLE VALUES OF REAL PROPERTY	\$11,226,857,913
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The assessed value of all taxable real estate (net of exemptions) in the District, as shown by the tax rolls for the year 2013, which have been duly approved and are the latest official assessment of taxable property in the District, is as follows:

TOTAL ASSESSED TAXABLE VALUES OF REAL PROPERTY	\$100,866,924
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15. There has been no changes to the District's boundaries since the issuance of the District's Series 2011 bonds.

16. A District Information Form and amendments thereto have been filed as required by Section 49.455, Texas Water Code. In addition, as of the date of this Certificate, all information required by law to be filed by the District with the TCEQ has been filed. Based upon our actual knowledge, the District is currently in compliance with all regulations of the TCEQ.

17. All meetings of the Board have been open to the public and notice of the time, place, and subject of each such meeting was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

18. The District has complied with the provisions of the Texas Election Code and the Federal Voting Rights Act in all its elections.

19. The District has not limited the taxing powers granted to it by the Constitution and laws of the State of Texas, and no procedure for such action has been taken.

20. The District has not at any time entered into any contract of any nature with the United States or any branch or agency thereof.

21. Attached hereto as Exhibit "D" is a demonstration that, pursuant to the requirements of Article 3, Section 52(B) of the Texas Constitution, the total bonded indebtedness of unlimited road tax debt in the boundaries of the District (including any overlapping unlimited road tax of Hays County any other overlapping road district debt) does not exceed one-fourth of the assessed valuation of real property of the District.

22. Attached hereto as Exhibit "E" is a certificate demonstrating that the combined no-growth tax rate does not exceed \$2.50 (per \$100 taxable value), as required by paragraph 3 of the All Bond Counsel Letter, dated August 13, 2001.

### **CLOSING MATTERS**

23. To our best knowledge and belief in reliance upon the experts and sources as set forth in the Official Statement hereby certifies the following:

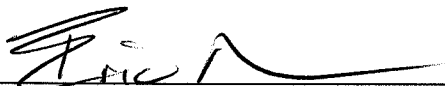
(a) the descriptions and statements of or pertaining to the District contained in its Official Notice of Sale, Bid Form and Official Statement dated November 22, 2013 and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, or the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects;

(b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the District and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable but the District has made no independent investigation or verification of such matters; however, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein made in light of the circumstances under which they are made not misleading; and

(d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statement of the District for the fiscal year ended September 30, 2013.

SIGNED this the 19<sup>th</sup> day of December, 2013.

  
Secretary, Board of Directors

  
President, Board of Directors

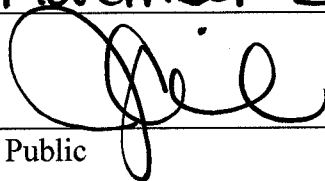
[DISTRICT SEAL]

#### NOTARY ACKNOWLEDGMENT

**BEFORE ME**, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this November 21, 2013.



  
Notary Public

## **EXHIBIT "A"**

### **Definitions**

<i>Bonds</i>	South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013, dated November 15, 2013 in the aggregate principal amount of \$2,055,000
<i>District</i>	South Buda Water Control and Improvement District No. 1.
<i>Initial Purchasers</i>	The winning bidder is shown on the bid form attached to this General and No-Litigation Certificate as <u>Exhibit "B"</u> .
<i>Order</i>	The order adopted by the Board of Directors of the District on November 21, 2013 authorizing the issuance of the Bonds.

**EXHIBIT "B"**

**Bid for Bonds**



# OFFICIAL BID FORM

President and Board of Directors  
South Buda Water Control and Improvement District No. 1  
8834 North Capital of Texas Highway, Suite 140  
Austin, Texas 78759

Board Members:

We have read in detail your OFFICIAL NOTICE OF SALE and accompanying PRELIMINARY OFFICIAL STATEMENT dated November 7, 2013, relating to the South Buda Water Control and Improvement District No. 1 (the "District") \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$2,055,000, we will pay you a price of \$ 1,992,843.50 (which amount does not include a premium of more than \$5,000), representing 97.17 % of the par value. Such Bonds mature August 1, in each of the years and in the amounts and interest rates shown below:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
8/1/2016	\$ 35,000	2.250 %	8/1/2030	\$ 70,000	4.800 %
8/1/2017	35,000	2.250 %	8/1/2031	75,000	4.850 %
8/1/2018	35,000	2.400 %	8/1/2032	75,000	4.900 %
8/1/2019	40,000	2.700 %	8/1/2033	80,000	%
8/1/2020	40,000	3.000 %	8/1/2034	85,000	%
8/1/2021	40,000	3.200 %	8/1/2035	90,000	%
8/1/2022	45,000	3.400 %	8/1/2036	95,000	%
8/1/2023	45,000	3.600 %	8/1/2037	100,000	%
8/1/2024	50,000	3.800 %	8/1/2038	105,000	%
8/1/2025	55,000	4.000 %	8/1/2039	110,000	%
8/1/2026	55,000	4.150 %	8/1/2040	115,000	%
8/1/2027	60,000	4.350 %	8/1/2041	125,000	%
8/1/2028	60,000	4.550 %	8/1/2042	130,000	%
8/1/2029	65,000	4.650 %	8/1/2043	140,000	%

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

Term Bond Maturing August 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
2034	2033	\$ 115,000 -	4.900 %
2036	2035	\$ 185,000 -	4.900 %
2038	2037	\$ 205,000 -	5.000 %
2043	2039	\$ 620,000 -	5.100 %
		\$	%

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

TOTAL INTEREST COST FROM 12/19/13  
PLUS DOLLAR AMOUNT OF DISCOUNT  
NET INTEREST COST  
NET EFFECTIVE INTEREST RATE

\$ 1,934,564.38  
\$ 58,156.50  
\$ 1,992,720.88  
4.980899 %

The Initial Bond shall be registered in the name of Southwest Securities (Purchaser/syndicate manager). We will advise BOKF, NA dba Bank of Texas, Austin, Texas, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

A wire transfer or a cashiers or certified check to the District in the amount of \$41,100 will be made available in accordance with the OFFICIAL NOTICE OF SALE made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the OFFICIAL NOTICE OF SALE, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the OFFICIAL NOTICE OF SALE, with such changes thereto as may be acceptable to the District.

We understand the sale of the Bonds has not been registered 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 acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the District assumes no responsibility or obligation for the distribution or delivery of any copies of the OFFICIAL STATEMENT or other information concerning the District and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

Southwest Securities

Name of Initial Purchaser or Manager

Michael G. Wadsworth

Authorized Representative

(214) 859-9468

Phone Number

Michael G. Wadsworth  
Signature

Please check one of the options below regarding Good Faith Deposit:

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby in all things accepted by South Buda Water Control and Improvement District No. 1, this the 21<sup>st</sup> day of November, 2013.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors  
South Buda Water Control and Improvement District No. 1

\_\_\_\_\_  
President, Board of Directors  
South Buda Water Control and Improvement District No. 1

## **EXHIBIT "C"**

### **BOARD OF DIRECTORS**

#### **From July 18, 2005 to February 13, 2006**

Deanna Hayes - President  
Dustin McDaniel - Vice President  
Joseph E. Brown, Jr. - Secretary  
William A. McAllister, Jr. - Assistant Secretary  
Neal K. Longwill - Assistant Secretary

#### **From February 13, 2006 to June 18, 2006**

Katherine Weed - President  
Dustin McDaniel - Vice President  
Joseph E. Brown, Jr. - Secretary  
William A. McAllister, Jr. - Assistant Secretary  
Neal K. Longwill - Assistant Secretary

#### **From June 18, 2006 to March 11, 2008**

Joseph E. Brown, Jr. - President  
Dustin McDaniel - Vice President  
William A. McAllister, Jr. - Secretary  
Neal K. Longwill - Assistant Secretary  
Jim Powers - Assistant Secretary

#### **From March 11, 2008 to August 12, 2008**

Joseph E. Brown, Jr. - President  
Dustin McDaniel - Vice President  
William A. McAllister, Jr. - Secretary  
Neal K. Longwill - Assistant Secretary  
Marvin B. Morgan - Assistant Secretary

From August 12, 2008 to June 9, 2009

Joseph E. Brown, Jr. - President  
Dustin McDaniel - Vice President  
Sean M. Denton - Secretary  
Neal K. Longwill - Assistant Secretary  
Marvin B. Morgan - Assistant Secretary

From June 9, 2009 to July 14, 2009

Joseph E. Brown, Jr. - President  
Dustin McDaniel - Vice President  
Sean M. Denton - Secretary  
Joe Priesnitz - Assistant Secretary  
Marvin B. Morgan - Assistant Secretary

From July 14, 2009 to November 9, 2010

Joseph E. Brown, Jr. - President  
Hal. D. Lanham - Vice President  
Sean M. Denton - Secretary  
Joe Priesnitz - Assistant Secretary  
Marvin B. Morgan - Assistant Secretary

November 9, 2010 to June 14, 2011

Joseph E. Brown, Jr. - President  
Sean M. Denton - Vice President  
Eric Nelsen - Secretary  
Joe Priesnitz - Assistant Secretary  
Marvin B. Morgan - Assistant Secretary

June 14, 2011 to Present

Marvin B. Morgan - President  
Sean M. Denton - Vice President  
Eric Nelsen - Secretary  
Joe Priesnitz - Assistant Secretary  
John Fowler - Assistant Secretary

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**South Buda WCID #1****Unlimited Tax Road Bonds, Series 2013**

Taxing Jurisdiction	Total Unlimited Tax Road Debt As of 11/30/2013	Estimated % Applicable	Overlapping Unlimited Tax Road Debt As of 11/30/2013
South Buda WCID	\$ 2,055,000	100%	\$ 2,055,000
Hays County	126,195,000 <sup>(1)</sup>	0.90%	1,133,736
Total Direct and Overlapping Unlimited Tax Road Debt			\$ 3,188,736
Ratio of Direct and Overlapping Unlimited Tax Road Debt to Taxable Assessed Valuation			<b>3.16%</b>

(1) Includes only the Unlimited Tax Road Debt.

# South Buda WCID #1

Unlimited Tax Road Bonds, Series 2013

FYE 8/31	Existing D/S	\$2,055,000 Series 2013 D/S	Total D/S	Attorney General Bond Test	
2014	\$ 400,230	\$ 57,697	\$ 457,927	Taxable Assessed Value (TAV) <sup>(1)</sup> :	\$ 100,866,924
2015	401,630	93,563	495,193	Combined Tax Rate (ODTR)	0.4252
2016	402,815	128,563	531,378	District 2013 Maintenance Tax (MT)	0.4335
2017	408,485	127,775	536,260	Maximum I&S Tax Rate (MXT)	0.6767
2018	413,435	126,988	540,423	Maximum Debt Service (MDS):	611,963
2019	417,598	131,148	548,745		
2020	416,108	130,068	546,175		
2021	419,153	128,868	548,020		
2022	426,565	132,588	559,153		
2023	423,175	131,058	554,233		
2024	429,365	134,438	563,803		
2025	429,665	137,538	567,203		
2026	434,350	135,338	569,688		
2027	438,131	138,055	576,186		
2028	441,069	135,445	576,514		
2029	448,081	137,715	585,796		
2030	449,106	139,693	588,799		
2031	454,163	141,333	595,495		
2032	463,213	137,695	600,908		
2033	460,425	139,020	599,445		
2034	471,863	140,100	611,963		
2035	211,750	140,935	352,685		
2036	214,250	141,525	355,775		
2037	211,250	141,870	353,120		
2038	213,000	141,870	354,870		
2039	214,250	141,620	355,870		
2040	215,000	141,010	356,010		
2041	215,250	145,145	360,395		
2042	-	143,770	143,770		
2043	-	147,140	147,140		
	\$ 10,543,373	\$ 3,989,564	\$ 14,532,937		

(1) Includes only the Net Taxable Real Property as of Supplement 5.

X  
THE STATE OF TEXAS X  
X  
  
X  
COUNTY OF TRAVIS X  
X

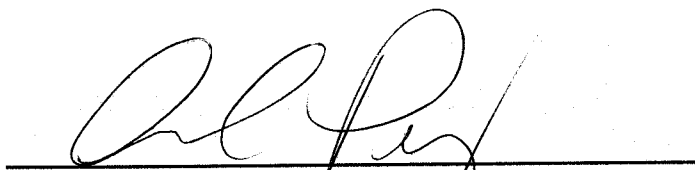
Before me, the undersigned authority, on this date personally appeared Barbara Dewey, who, having been by me duly sworn, upon her oath deposes and says;

That she is editor of TEXAS BOND REPORTER, an official publication of Municipal Advisory Council of Texas, and is authorized to make this affidavit.

The attached is a true and correct copy of NOTICE OF SALE - SOUTH BUDA WC&ID # 1, \$2,055,000 U/L TAX BDS SER 2013 was published in the TEXAS BOND REPORTER on the following date(s), to wit: November 08, 2013.

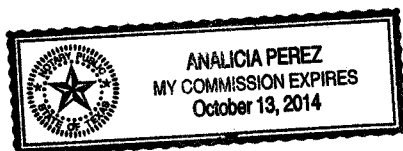


Sworn to and subscribed before me this the 8th day of November A.D. 2013



Notary Public in and for the  
State of Texas

My commission expires: 10-13-2014



## NOTICE OF SALE

### **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 112** *(A Political Subdivision of the State of Texas Located within Montgomery County)*

**\$3,490,000**  
**Unlimited Tax Bonds**  
**Series 2013**

**"Bank-Qualified"**

The Board of Directors of Montgomery County Municipal Utility District No. 112 (the "District") will publicly receive sealed bids on up to \$3,490,000 Unlimited Tax Bonds, Series 2013 on Tuesday, November 19, 2013, at 12:00 Noon, Houston Time, at the District's meeting place, 312 Spring Hill Drive, Suite 100, Spring, Texas 77386. The Board will immediately take action to reject any and all bids or accept the bid resulting in the lowest net interest cost to the District.

A bid for the Bonds may be delivered to the District electronically, by telephone or delivered directly to the District in a sealed envelope addressed to the "President and Board of Directors, Montgomery County Municipal Utility District No. 112" at the above address. All bidders must submit a signed "Official Bid Form" and a bank Cashier's Check in the amount of \$69,800 payable to the order of "Montgomery County Municipal Utility District No. 112" as a Good Faith Deposit. Additional terms and conditions related to the submission of a bid for the Bonds are included in the "Official Notice of Sale."

The Bonds will mature serially on October 1, 2014 through 2036, and will be dated December 1, 2013. The "Official Notice of Sale," "Preliminary Official Statement," and "Official Bid Form" may be obtained from the District's Financial Advisor, First Southwest Company, 700 Milam Street, Suite 500, Houston, Texas 77002. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell the Bonds will be made by means of the "Official Notice of Sale," "Preliminary Official Statement," and "Official Bid Form."

/s/ Dr. Robert C. Schucker  
President, Board of Directors  
Montgomery County Municipal Utility District No. 112  
Montgomery County, Texas

#### LEGAL NOTICE

### OFFICIAL NOTICE OF SALE

### **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1** *(A political subdivision of the State of Texas located within Hays County)*

**\$2,055,000**

### **UNLIMITED TAX BONDS, SERIES 2013**

The Board of Directors of South Buda Water Control and Improvement District No. 1 will publicly receive sealed bids on their \$2,055,000 Unlimited Tax Bonds, Series 2013 on Thursday, November 21, 2013 at 10:00 A.M., Austin, Time, at the offices of Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746. At a meeting on Thursday, November 21, 2013 at 12:00 P.M., Austin Time, at a regular meeting place of the District's Board at Gray Engineering, Inc., 8834 North Capital of Texas Highway, Suite 140, Austin, Texas 78759, the Board will immediately take action to reject any and all bids or accept the bid resulting in the lowest net interest cost to the District.

A bid for Bonds may be delivered to the District electronically, by telephone or delivered directly to the District in a sealed envelope addressed to the President and Board of Directors of the District at the Specialized Public Finance Inc. address. All bidders must submit a signed "Official Bid Form" and a bank Cashier's Check in the amount of \$41,100 payable to the order of "South Buda Water Control and Improvement District No. 1" as a Good Faith Deposit. Additional terms and conditions related to the submission of a bid for the Bonds are included in the "Official Notice of Sale."

The Bonds will mature serially on August 1, 2016 through August 1, 2043, and will be dated November 15, 2013. The "Official Notice of Sale," the "Preliminary Official Statement," and the "Official Bid Form" may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, 512/275-7300. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas state law. The offer to sell the Bonds will be made by means of the "Official Notice of Sale," the "Preliminary Official Statement," and the "Official Bid Form."

Mr. Marvin B. Morgan  
President, Board of Directors  
South Buda Water Control and Improvement District  
No. 1

#### LEGAL NOTICE



OFFICIAL NOTICE OF SALE  
SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1  
(A political subdivision of the State of  
Texas located within Hays County)

\$2,055,000

UNLIMITED TAX BONDS, SERIES 2013

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President, Board of Directors  
South Buda Water Control and  
Improvement District No. 1

*Carly Kline*

SWORN AND SUBSCRIBED TO BEFORE ME,  
this the 11 day of Nov. 2013

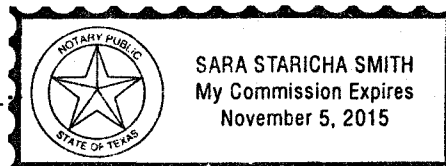
*Sara Staricha Smith*

Notary Public in and for  
TRAVIS COUNTY, TEXAS

STATE OF TEXAS  
COUNTY OF TRAVIS

Before me, the undersigned authority, a Notary Public in and for the County of Travis, State of Texas, on this day personally appeared Carolyn Kline, Advertising Agent of the Austin American-Statesman, a daily newspaper published in said County and State that is generally circulated in Bastrop, Bell, Blanco, Brazos, Burleson, Burnet, Caldwell, Colorado, Comal, Coryell, Fayette, Gillespie, Gonzales, Guadalupe, Hays, Kerr, Lampasas, Lee, Llano, Nueces, San Saba, Travis, Washington and Williamson Counties, who being duly sworn by me, states that the attached advertisement was published at the lowest rate for Classified advertising in said newspaper on the following date(s), to wit: SPECIALIZED PUBLIC FINANCE INC, S BUDA WCID NO 1, 11/08/2013, 11/08/2013, 2, Legal Notices, 1 X 62, and that the attached is a true copy of said advertisement.

SLEGAL S BUDA WCID NO 1  
Ad ID: 320087  
Ad Cost: 678.28



## SECRETARY'S CERTIFICATE

THE STATE OF TEXAS    §  
                                  §  
COUNTY OF HAYS       §

The undersigned Secretary of the Board of Directors of SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, hereby certifies as follows:

1. The Board of Directors of said District convened in SPECIAL MEETING, on the 21<sup>st</sup> day of November, 2013, at 8834 North Capital of Texas Highway, Suite 140, Austin, Texas 78759; and the roll was called of the duly constituted officers and members of said Board, to-wit:

Marvin B. Morgan - President  
Sean M. Denton - Vice President  
Eric N. Nelsen - Secretary  
Joe Priesnitz - Assistant Secretary  
John Fowler - Assistant Secretary

and all said persons were present, except Sean Denton, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting; a written

**ORDER AUTHORIZING THE ISSUANCE OF \$2,055,000  
SOUTH BUDA WATER CONTROL AND IMPROVEMENT  
DISTRICT NO. 1 UNLIMITED TAX ROAD BONDS, SERIES 2013; AWARDING  
THE SALE OF THE BONDS; AUTHORIZING THE LEVY OF  
AN AD VALOREM TAX IN SUPPORT OF  
THE BONDS; ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT;  
APPROVING AN OFFICIAL STATEMENT; AND 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 said Order be passed; and, after due discussion, said motion, carrying with it the adoption of said Order, prevailed and carried by the following vote:

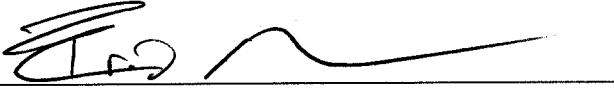
AYES:           4

NOES:           0

2. That a true, full, and correct copy of the aforesaid Order passed at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Order has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said meeting pertaining to the passage of said Order; that the persons named in the above and foregoing paragraphs are duly chosen, qualified, and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally,

in advance, of the time, place and purpose of the aforesaid meeting, and that said Order would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; that said meeting was open to the public as required by law; and that public notice of the time, place, and subject of said meeting was given as required by Chapter 551, Government Code, and Sec. 49.063, Water Code.

**SIGNED AND SEALED** the 21<sup>st</sup> day of November, 2013.

By:   
Eric N. Nelsen, Secretary  
South Buda WCID No. 1

[DISTRICT SEAL]

**CERTIFICATE OF ABSENT DIRECTOR**

**STATE OF TEXAS**

§

§

**COUNTY OF HAYS**

§

**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

I, Sean M. Denton, the undersigned member of the Board of Directors of South Buda Water Control and Improvement District No. 1, hereby acknowledge and certify that I was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the meeting of the Board of Directors of the District, held on November 21, 2013, and that I was furnished in advance of that meeting with a copy of the agenda for that meeting; and that I consented, in advance to the holding of such meeting for the purposes stated in the agenda.

**SIGNED** this 11<sup>th</sup> day of December, 2013

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

Sean M. Denton

**ORDER AUTHORIZING THE ISSUANCE OF \$2,055,000  
SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
UNLIMITED TAX ROAD BONDS, SERIES 2013;  
AWARDING THE SALE OF THE BONDS; AUTHORIZING THE LEVY OF  
AN AD VALOREM TAX IN SUPPORT OF THE BONDS;  
ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT;  
APPROVING AN OFFICIAL STATEMENT;  
AND OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

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<b>THE STATE OF TEXAS</b>	<b>§</b>
<b>COUNTY OF HAYS</b>	<b>§</b>
<b>SOUTH BUDA WATER CONTROL AND IMPROVEMENT</b>	<b>§</b>
<b>DISTRICT NO. 1</b>	<b>§</b>

**WHEREAS**, South Buda Water Control and Improvement District No. 1 (the "District"), was duly created by Order of the Commissioner's Court of Hays County, Texas dated January 25, 2005 as a conservation and reclamation district created under and essential to accomplish the purposes of Section 59, Article XVI of the Texas Constitution and operating pursuant to Chapters 49 and 54 of the Texas Water Code; and.

**WHEREAS**, the District was granted additional powers and its boundaries were amended by the Legislature of Texas by Acts 2005, 79<sup>th</sup> Leg., Chs. 429 and 1323, which two acts were essentially identical, but to the extent there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429, which laws were codified at Chapter 9004, Special District Local Laws Code, pursuant to which the District now operates pursuant to Chapters 49 and 51 of the Texas Water Code as amended, and the Legislation described above; and

**WHEREAS**, the creation of the District was confirmed at an election held within the District on November 8, 2005 (the "Confirmation Election"); and

**WHEREAS**, at the Confirmation Election, Directors Election, Bond Election and Maintenance Tax Election held on November 8, 2005 (the "Bond Election") the voters of the District authorized the issuance of Bonds of said district in one or more issues or series in the maximum amount of \$6,000,000 maturing serially or otherwise in such installments as are fixed by said board over a period or periods not exceeding fifty (50) years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, on any issue or series shall not exceed the maximum legal limit in effect at the time of issuance of each issue or series of bonds, all as may be determined by the Board of Directors of said District, for the purpose or purposes of constructing, acquiring, or improving District road facilities, as that term is defined in Section 441.001(6), Transportation Code, and to refund any bonds or other evidences of indebtedness issued by the District for any of the foregoing purposes or refunding purposes in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal of and interest on such bonds by

the levy and collection of a sufficient tax upon all taxable property within said District, all as now or hereafter authorized by the Constitution and laws of the State of Texas; and

**WHEREAS**, this is the first Bond Issue pursuant to the foregoing authorization; and

**WHEREAS**, the Board of Directors of the District deems it necessary and advisable at this time to issue \$2,055,000 of bonds, reserving the right in the future to issue the remaining \$3,945,000 of bonds authorized at the Bond Election.

**THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1:**

**Section 1.     AMOUNT AND PURPOSE OF THE BONDS.** 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. The Bonds of the District are hereby authorized to be issued and delivered in the aggregate principal amount of \$2,055,000 **FOR THE PURPOSE OR PURPOSES AUTHORIZED BY THE BOND ELECTION INCLUDING (1) PAYMENT FOR ROAD IMPROVEMENTS WITHIN THE DISTRICT; (2) CAPITALIZED INTEREST ON THE BONDS AND (3) CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.** The Bonds are issued under the authority of the Texas Constitution, and laws of the State of Texas, including particularly Chapter 9004, Special District Local Laws Code, and the General Laws of the State of Texas relating to the issuance of Bonds by political subdivisions of the State of Texas.

**Section 2.     DEFINITIONS.** In addition to other words and terms defined in this Order (except those defined and used in the Form of the Bonds in Section (6), and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

“Bonds” shall mean and include collectively the bonds initially issued and delivered pursuant to this Order 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” shall mean this Order of the Board of Directors authorizing the issuance of the Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“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 (including Interest Strips of the Resolution Funding Corporation), (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are

unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Federal Securities" as used herein means direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including, but not limited to, Interest Strips of the Resolution Funding Corporation).

"Interest and Sinking Fund" shall have the meaning as set forth in Section 7(a)(ii).

"MSRB" means the Municipal Securities Rulemaking Board.

"Paying Agent/Registrar" shall mean BOKF, NA dba Bank of Texas, Austin, Texas, and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of Paying Agent/Registrar in accordance with this Order.

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

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

**Section 3. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, PRIOR REDEMPTION AND MATURITIES OF BONDS.** Each Bond issued pursuant to this Order shall be designated: "SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 UNLIMITED TAX ROAD BONDS, SERIES 2013" and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, with the Bonds being dated November 15, 2013 in the respective denominations and principal amounts hereinafter stated, being numbered consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1), payable to the respective initial registered owners thereof (as designated in Section 12 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"), and, unless redeemed prior to their respective maturities as provided herein, the Bonds shall mature and be payable serially on August 1 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>
2016	\$35,000	2030	\$70,000
2017	\$35,000	2031	\$75,000
2018	\$35,000	2032	\$75,000
2019	\$40,000	****	*****
2020	\$40,000	2034	\$165,000
2021	\$40,000	****	*****
2022	\$45,000	2036	\$185,000
2023	\$45,000	****	*****
2024	\$50,000	2038	\$205,000
2025	\$55,000	****	*****
2026	\$55,000	****	*****
2027	\$60,000	****	*****
2028	\$60,000	****	*****
2029	\$65,000	2043	\$620,000

**Section 4. INTEREST.** The 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 BOND set forth in this Order to their respective dates of maturity at the following rates per annum:

<u>MATURITY</u>	<u>RATE</u>	<u>MATURITY</u>	<u>RATE</u>
2016	2.250%	2030	4.800%
2017	2.250%	2031	4.850%
2018	2.400%	2032	4.900%
2019	2.700%	****	*****
2020	3.000%	2034	4.900%
2021	3.200%	****	*****
2022	3.400%	2036	4.900%
2023	3.600%	****	*****
2024	3.800%	2038	5.000%
2025	4.000%	****	*****
2026	4.150%	****	*****
2027	4.350%	****	*****
2028	4.550%	****	*****
2029	4.650%	2043	5.100%

Interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Order.



**Section 5. CHARACTERISTICS OF THE BONDS.** (a) Registration, Transfer, Conversion and Exchange; Authentication. The District shall keep or cause to be kept at the designated office for payment of BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent/Registrar") in Austin, Texas, books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The District shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BOND set forth in this Order. Registration or assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the Board of Directors of the District or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and the Bonds shall be of typewritten, photocopied, printed, lithographed, engraved or produced in any other similar manner, all as determined by the officers executing such Bond as evidenced by their execution thereof. Pursuant to Chapter 1201 of the Texas Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Order, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The District hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the District and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and replacements of Bonds, as provided in this Order. However, in the event of a nonpayment 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 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) shall be payable as to the principal of and interest, (vii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar at least 30 calendar days prior to any such redemption date), and (viii) shall be administered, and the Paying Agent/Registrar and the District shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Order. The Bonds initially issued and delivered pursuant to this Order are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) Substitute Paying Agent/Registrar. The District covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the District will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Order, and that the Paying Agent/Registrar will be one entity. The District reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar, to be effective at such time which will not disrupt or delay payment on the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the District covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar

designated and appointed by the District. Upon any change in the Paying Agent/Registrar, the District promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Order and a certified copy of this Order shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry-Only System. The Bonds issued in exchange for the Bonds initially issued as provided in Section 3 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 (f) 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 Bonds, 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.

(f) 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.

(g) 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.

(h) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered Bond, being on Bond, and the initial Bond shall be registered in the name of the initial purchaser 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 initial purchaser. 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 5, all of the outstanding Bonds shall be registered in the name of Cede & Co., and nominee of DTC.

(i) DTC Blanket Letter of Representations. The District has previously approved a Blanket Issuer Letter of Representations with DTC establishing the book-entry-only system which will be utilized with respect to the Bonds.

**Section 6. FORM OF BONDS.** The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bond initially issued and delivered pursuant to this Order, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Order.

**FORM OF BOND**

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
UNLIMITED TAX ROAD BONDS, SERIES 2013**

**NO. R**

**PRINCIPAL  
AMOUNT**

\$ \_\_\_\_\_

**INTEREST  
RATE**

**DATE OF  
BONDS**

**MATURITY  
DATE**

**CUSIP  
NO.**

November 15, 2013

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

**ON THE MATURITY DATE** specified above, **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1** (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 date of initial delivery of this Bond, payable on August 1, 2014, and semiannually on each February 1 and August 1 thereafter 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 its 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 date of initial delivery of this Bond is attached hereto.

**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 the designated office for payment of BOKF, NA dba Bank of Texas, (the "Paying Agent/Registrar") 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 Paying Agent/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 Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/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 on the close of business on the fifteenth (15) day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/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 any 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 five 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 Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

**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 Paying Agent/Registrar, from the "Interest and Sinking Fund" created 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.

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

**THIS BOND** is one of a series of Bonds dated as of November 15, 2013 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$2,055,000 FOR THE PURPOSE OR PURPOSES AUTHORIZED BY THE BOND ELECTION INCLUDING (1) PAYMENT FOR ROAD IMPROVEMENTS WITHIN THE DISTRICT; (2) CAPITALIZED INTEREST ON THE BONDS AND (3) CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.** The Bonds are issued under the authority of the Texas Constitution, and laws of the State of Texas, including particularly Chapter 9004, Special District Local Laws Code, and the General Laws of the State of Texas relating to the issuance of Bonds by political subdivisions of the State of Texas.

**ON AUGUST 1, 2022 OR ON ANY DATE THEREAFTER**, the Bonds maturing on and after August 1, 2023, 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. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**THE BONDS MATURING ON** August 1, 2034, August 1, 2036, August 1, 2038 and August 1, 2043 (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 on the respective dates and in principal amounts as follows:

**Term Bond Maturing on August 1, 2034**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2033	\$80,000
August 1, 2034*	\$85,000

\* Stated Maturity

**Term Bond Maturing on August 1, 2036**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2035	\$90,000
August 1, 2036*	\$95,000

\* Stated Maturity

**Term Bond Maturing on August 1, 2038**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2037	\$100,000
August 1, 2038*	\$105,000

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\* Stated Maturity

**Term Bond Maturing on August 1, 2043**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2039	\$110,000
August 1, 2040	\$115,000
August 1, 2041	\$125,000
August 1, 2042	\$130,000
August 1, 2043*	\$140,000

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\* Stated Maturity

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

**NOT LESS THAN** 30 days prior to the date fixed for any such redemption, the District shall cause the Paying Agent/Registrar to send notice by United States mail, first-class postage prepaid to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books of the Paying Agent/Registrar at the close of business on the 45<sup>th</sup> day prior to the redemption date and to major securities depositories, national bond rating agencies and bond information services; provided, however, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bonds. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption



due price for the Bonds or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, 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 Ordinance.

The Paying Agent/Registrar 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, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bond to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar 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 Bond or the providing of notice to the DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bond for redemption.

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

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in the denominations 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 Bonds to the Paying Agent/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 Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/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 Paying Agent/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 Paying Agent/Registrar's reasonable standard or customary fees and charged 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 Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (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 or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

**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 Paying Agent/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 a tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bond Order provides that the pledge of taxes to the payment of the Bonds shall terminate at such time, if ever, as money and/or direct obligations of the United States or obligations unconditionally guaranteed by the United States in an amount sufficient to defease the Bonds is deposited with or made available to the Paying Agent/Registrar in accordance with the Bond Order.

**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, to pay when due the 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, 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 (i) additional bonds equally secured by a pledge of taxes; (ii) bonds, notes, and other obligations of inferior liens; and (iii) revenue bonds, payable solely from contracts with other persons, including private corporations, municipalities, and political subdivisions to finance facilities needed in performing any such contracts. Reference is made to the Bond Order for a complete description of the right to issue additional obligations.

**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 Paying Agent/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.

**IT IS FURTHER CERTIFIED** that this obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; Ex Parte South Buda Water Control and Improvement District No. 1; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation.

**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.

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

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

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Secretary,  
Board of Directors

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President,  
Board of Directors

[DISTRICT SEAL]

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**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.

**BOKF, NA dba Bank of Texas**  
Paying Agent/Registrar

Dated:

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

**FORM OF ASSIGNMENT:**

**ASSIGNMENT**

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

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Please insert Social Security or Taxpayer  
Identification Number of Transferee

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

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the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

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NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

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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 of enlargement or any change whatsoever.

**FORM OF REGISTRATION CERTIFICATE OF  
THE COMPTROLLER OF PUBLIC ACCOUNTS**

**COMPTROLLER'S REGISTRATION CERTIFICATE:      REGISTER NO.**

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of 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)

**Date of Initial Delivery**

Date of Initial Delivery of this Bond was December \_\_\_\_, 2013

**INSERTIONS FOR THE INITIAL BOND**

The initial 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, South Buda Water Control and Improvement District No. 1 (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 August 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Rate</u>
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(Information from Sections 3 and 4 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 date of initial delivery at the respective Interest Rate per annum specified above. Interest is payable on August 1, 2014 and semiannually on each February 1 and August 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.”

C. The initial Bond shall be numbered “T-1.”

**Section 7. SECURITY FOR THE BONDS.** (a) Pledge and Levy of Taxes. For each year while any Bond is outstanding and the District remains in existence, the Board of Directors shall consider the taxable property in the District and determine the actual rate of the bond tax and/or the maintenance tax per \$100 valuation of taxable property which is to be levied in that year, and levy the bond tax and/or the maintenance tax against all taxable property in the District.

- (i) Annual Budget. Prior to determining the bond tax and/or maintenance tax to be levied for any calendar year, the Board shall adopt an annual budget for the District setting forth the estimated expenditures and disbursements of the District’s receipts, revenues, and funds, the estimated receipts, revenues and funds and the sources thereof, and the District’s debt service for the succeeding fiscal year. The budget shall be developed in accordance with generally accepted accounting procedures, and shall contain such budgetary items and provisions as may be reasonably necessary to reflect adequately the operations and activities of the District for the annual period covered by the budget. The Board shall not determine the bond tax and/or maintenance tax to be levied for any calendar year until the Board has approved an annual budget for the expenditure and disbursement of the receipts, revenues and funds of the District.
- (ii) Establishment of District Interest and Sinking Fund and Levy of Bond Tax. A special fund or account, to be designated the South Buda Water Control and Improvement District No. 1 Interest and Sinking Fund (the “Interest and Sinking Fund”) is hereby created and shall be established and maintained by the District at its official depository bank. The Interest and Sinking Fund shall be used only for paying the principal, interest and redemption price of the Bonds and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds. All taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. Pursuant to Article III, Section 52, during each year while any of the Bonds are outstanding and unpaid, the District shall

compute and ascertain the rate and amount of ad valorem tax, based on the latest approved tax rolls of the District, with full allowances being made for tax delinquencies and costs of tax collections, which will be sufficient to raise and produce the money required to make payment of the principal and interest on the Bonds and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds, and to provide a sinking fund to pay the principal of the Bonds as such principal matures or is mandatorily redeemed in the years and in the principal amounts set forth in Section 3 hereof. The rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied without limit as to rate or amount and is hereby levied without limit as to rate or amount against all taxable property in the District for each year while any of the Bonds are outstanding and unpaid, and such ad valorem tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. In determining the rate of tax to be levied, assessed and collected, the District may take into account the amount of funds on hand in the Interest and Sinking fund. The ad valorem taxes are hereby irrevocably pledged to the payment of the principal of and interest on the bonds and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds as same become due, and to provide a sinking fund to pay the principal of the Bonds as such principal matures or is mandatorily redeemed in the years and in the principal amounts set forth in Section 3 hereof, but never less than 2% of the original principal amount of the Bonds as a sinking fund each year.

(b) Perfection. Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of taxes and revenues granted by the District under Section 7 of 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 taxes and revenues granted by the District under Section 7 of this Order is to be subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9 of the Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

**Section 8. DEFEASANCE OF BONDS.** (a) Any Bond and 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 sections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or 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, certified by an independent public accounting firm of national

reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank 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 or revenues herein levied and pledged as provided in this Order, and such principal and interest shall be payable solely from such money or Defeased Securities.

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

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

(d) Notwithstanding anything elsewhere in this Order, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank 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.

**Section 9. FUNDS, FLOW OF FUNDS, APPLICATION OF FUNDS AND INVESTMENTS.**

(a) Designation of Funds. The following funds are hereby created or affirmed:

- (i) the Interest and Sinking Fund; and
- (ii) the Construction Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Interest and Sinking Fund shall constitute a trust fund which shall be held in trust for the benefit of the owners of the Bonds. All other funds shall be used solely as provided in this Order until all of the Bonds have been retired, both as to principal and interest.

(b) Construction Fund. The Construction Fund shall comprise the capital improvements funds of the District. The District shall deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposit to the Interest and Sinking Fund provided in Section 9(d) of this Order. The Construction Fund shall be applied solely to pay (i) the costs necessary or appropriate to accomplish such of the purposes for which the Bonds are issued and (ii) the costs of issuing the Bonds. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Construction Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 1 of this Order any interest earnings remaining on hand shall be deposited in the Interest and Sinking Fund or used to pay any rebate in accordance with Section 11 of this Order.

(c) Interest and Sinking Fund. The Interest and Sinking Fund shall comprise the Interest and Sinking Fund of the District. The District shall deposit to the credit of the Interest and Sinking Fund (i) accrued interest on the Bonds from their date to the date of their delivery, (ii) collections of District taxes to the extent provided in Section 7(a) and 7(b) hereof, (iii) capitalized interest on the Bonds, and (iv) amounts transferred from the Operating Fund to the extent provided in paragraph (b) of this Section 9. The Interest and Sinking Fund, including interest earnings or amounts deposited therein, shall be applied solely to pay the principal or redemption price of and interest on the Bonds when due, and the fees of the Paying Agent/Registrar.

(d) Investment of Funds. The Board may place money in any fund created by this Order in time or demand deposits or invest such moneys as authorized by law at the time of such deposit. The District hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in any fund shall be deemed to be a part of such fund. Except as otherwise provided by

law or by this Order, amounts received from the investment of any money in any fund created by this Bond Order, except the Interest and Sinking Fund, which shall be applied as set forth in Section 9(a) above, may be placed into any fund of the District as determined by the Board.

(e) Security for Funds. All funds created by this Bond Order shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

(f) Interest Earnings on Bond Proceeds. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other Bond proceeds for the purpose for which the Bonds are issued as set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund or used to pay any rebate in accordance with Section 11 of this Order.

**Section 10. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED.** The President of the Board of Directors of the District is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the District, be printed on the Bonds issued and delivered under this Order, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if a Municipal Bond Insurance Policy is obtained, the Bonds may bear an appropriate legend as provided by the such bond insurer.

**Section 11. 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 Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

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

secure or provide for the payment of more than 10 percent of the debt service of the Bonds, in contravention of Section 141(b)(2) of the Code;

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

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

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

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

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

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

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

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

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

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

(9) to assure the proceeds of the Bonds will be used solely for new money projects.

(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 ruling 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 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.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The District covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Order (the "Project") on its books and records in accordance with the requirements of the Code. The District recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the District recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than

60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The District agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the District shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The road improvements, the cost for which the Bonds are issued, have been conveyed to Hays County, Texas for no compensation to the District.

(f) Designation as Qualified Tax-Exempt Bonds. The District hereby designates the Bonds as “qualified tax-exempt bonds” as defined in Section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate Bonds, which when aggregated with the Bonds, will result in more than \$10,000,000 of “qualified tax-exempt bonds” being issued; (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$10,000,000; and (c) that the District will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered “private activity bonds” within the meaning of Section 141 of the Code.

**Section 12. SALE OF BONDS.** The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to Southwest Securities, Inc. (the “Purchaser” at a price of 97.17% of the par amount (\$1,996,843.50) plus accrued interest. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser’s sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond shall be registered in the name of Southwest Securities, Inc.

**Section 13. GENERAL COVENANTS OF THE DISTRICT.** The District covenants and represents that:

(1) It has lawful power to issue the Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas.

(2) The Bonds shall be ratably secured in such manner that no one Bond shall have preference over other Bonds.

(3) It has obtained or will obtain and will comply with the terms and conditions of all franchises, permits, and authorizations and will maintain same in full force and effect.



(4) It will proceed to acquire and construct with all due diligence and dispatch so much of the District's facilities as shall have been financed with the proceeds of the Bonds.

(5) It will levy an ad valorem tax that will be sufficient to provide funds to pay the interest on the Bonds and to provide the necessary sinking fund, all as described in Section 7 of this Order.

(6) It shall 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 audit shall be in accordance with applicable law, rules, and regulations in effect from time to time, including particularly Section 49.191 et seq. of the Texas Water Code, as amended, and the Water District Accounting Manual adopted by the Commission. A copy of such audit shall be filed in the office of the District and shall be open to inspect by any interested person during normal office hours. The District shall allow any holder or holders of not less than 25% in principal amount of the bonds then outstanding to inspect the District's facilities and all records, accounts, and data of the District relating thereto at all reasonable times and shall furnish a copy of such audit report to any such holder or holders upon payment to the District of the charge therefor as prescribed by law.

(7) The President, the Vice President, the Secretary, and all other officers of the Board from time to time, or any of them, are hereby authorized and directed to do any and all things required for the construction of the District's facilities and are further authorized and directed to make money of the District available for the payment of the Bonds in the manner provided by law and herein.

(8) So long as any of the Bonds or the Additional Bonds remain outstanding, the District covenants that it will at all times maintain its facilities or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound management principles. In operating and maintaining the District's facilities, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body having jurisdiction over the District.

**Section 14. REMEDIES OF REGISTERED OWNERS.** In addition to all rights and remedies of any registered owner of the Bonds provided by the laws of the State of Texas, the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Order to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Order, the registered owner of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Order. No delay or omission by any registered

owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Order shall be available to the registered owners of the Bonds as provided herein and shall be cumulative of all other existing remedies.

**Section 15. ADDITIONAL BONDS, SPECIAL PROJECT BONDS AND REFUNDING BONDS.** (a) Additional Bonds, Inferior Bonds and Refunding Bonds. The District expressly reserves the right to issue in one or more installments or issues, additional bonds heretofore voted but unissued and bonds hereafter voted and payable from a lien on and pledge of taxes and revenues on a parity with and of equal dignity with the pledge for the Bonds; and bonds, notes and other obligations of inferior liens. The District further reserves the right to issue refunding bonds, notes or other obligations in any manner permitted by law to refund any Bonds, Additional Bonds, bonds, notes or other obligations at or prior to their respective dates of maturity or redemption.

(b) Special Project Bonds. The District further reserves the right to issue Bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such Bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such Bonds.

**Section 16. APPROVAL OF OFFERING DOCUMENTS.** An "Official Notice of Sale," and "Official Bid Form," and a "Preliminary Official Statement," dated November 7, 2013, were prepared and distributed in connection with the sale of the Bonds together with the Final Official Statement (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use in the offer and sale of the Bonds is hereby approved.

**Section 17. DAMAGED, MUTILATED, LOST, STOLEN OR DESTROYED BONDS** (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement Bond shall furnish to the District and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the

registered owner shall furnish to the District and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement Bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the District whether or not the lost, stolen or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B of Chapter 1206 of the Texas Government Code, as amended, this Section of this Order shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(a) of this Order for Bonds issued in conversion and exchange for other Bonds.

**Section 18. ORDER A CONTRACT**. The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Order shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in Section 22.

**Section 19. PARTIES INTEREST HEREIN**. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the District shall be for the sole and exclusive benefit of the District and the registered owners of the Bonds.

**Section 20. OPEN MEETING.** It is hereby officially found and determined that the meeting at which this Order is adopted, was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551 of the Texas Government Code, as amended and Section 49.064 of the Texas Water Code, as amended.

**Section 21. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT.** The Paying Agent/Registrar Agreement by and between the District and BOKF, NA dba Bank of Texas, Austin, Texas ("Paying Agent Agreement"), in substantially the form and substance attached hereto as Exhibit "A" is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement, as necessary and the Secretary or Assistant Secretary is authorized and directed to attest such agreement.

**Section 22. 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 amendments 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 22, 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 and such amendment requires notice, the District 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 in 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 other 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 other 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 Owner 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 of Section 17.01(a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

**Section 23. 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 24. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS.** No recourse shall be made 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 25. PAYING AGENT/REGISTRAR.** The Paying Agent/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 Paying Agent/Registrar or its successors becomes unable for any reason to act as Paying Agent/Registrar hereunder, or if the Board of Directors of the District determines that a successor Paying Agent/Registrar should be appointed, a successor Paying Agent/Registrar shall be selected by the District. Any successor Paying Agent/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 26. PAYING AGENT/REGISTRAR MAY OWN BONDS.** The Paying Agent/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 27. 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 to 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 28. 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 29. 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 30. FURTHER PROCEEDINGS.** The President and Secretary of 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.

**Section 31. CONTINUING DISCLOSURE UNDERTAKING.** The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to the payment of the Bonds. As required by the exemption, in the Bond Order, the District hereby makes 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. The District is obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's internet website at [www.emma.msrb.org](http://www.emma.msrb.org).

(a) **Annual Reports.** The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. The financial information and operating data which will be provided with respect to the District is found in the Exhibit "B". The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2013. Any information provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such a period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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, as amended (the "Rule").

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

(b) **Material Event Notices.** 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 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 status of the Bonds, or other events affecting the tax status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person.

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."

(c) Availability of Information from the MSRB. The District agrees to provide the foregoing updated 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 Board. The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

(d) Limitations and Amendments. The District agrees to update information and to provide notices of material events only as described above. The District does not agree to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects nor does it agree 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.

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.



The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal this agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends this agreement, it will include with any financial information or operating data next provided in accordance with this agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Section 32. 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.

*(The remainder of this page left intentionally blank.)*

ADOPTED this 21<sup>st</sup> day of November, 2013.

By: Marvin B. Morgan  
Marvin B. Morgan, President

ATTEST:

Eric N. Nelsen  
Eric N. Nelsen, Secretary

[SEAL]

**EXHIBIT “A”**

**PAYING AGENT/REGISTRAR AGREEMENT**

**[See Separate Tab of this Transcript]**

## **EXHIBIT “B”**

### **CONTINUING DISCLOSURE**

Information of the general type included in the Official Statement in Appendix A.

#### **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.

## **PAYING AGENT/REGISTRAR AGREEMENT**

**THIS AGREEMENT** dated as of November 21, 2013 (this "Agreement"), by and between South Buda Water Control and Improvement District No. 1 (the "Issuer"), and BOKF, NA dba Bank of Texas, Austin, Texas, a banking association duly organized and existing under the laws of the United States of America (the "Bank").

### **RECITALS**

**WHEREAS**, the Issuer has duly authorized and provided for the issuance of bonds to be issued only in registered form, as to the payment of principal and interest thereon in an aggregate principal amount of \$2,055,000 and titled South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013 (the "Securities"); and

**WHEREAS**, the Securities are scheduled to be delivered to the initial purchasers thereof on or about December 19, 2013; and

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

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

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

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

#### **Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Order" (hereinafter defined).

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

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

**Section 1.02. Compensation.**

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

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

**ARTICLE TWO  
DEFINITIONS**

**Section 2.01. Definitions.**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

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

"Bank Office" means the corporate trust office of the Bank as indicated herein. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer.

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

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the President of the Issuer, any one or more of said officials, delivered to the Bank.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

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

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Bond Order).

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

"Order" means the order of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the Board of Directors or any other officer of the Issuer and delivered to the Bank.

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

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

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

**Section 2.02. Other Definitions.**

The terms "Bank," "Issuer," and "Security" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

## **ARTICLE THREE PAYING AGENT**

### **Section 3.01. Duties of Paying Agent.**

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

### **Section 3.02. Payment Dates.**

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Bond Order.

## **ARTICLE FOUR REGISTER**

### **Section 4.01. Security Register - Transfers and Exchanges.**

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

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Bond Dealers, Inc., in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.



The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

#### **Section 4.02. Securities.**

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

#### **Section 4.03. Form of Bond Register.**

The Bank, as Registrar, will maintain the Bond Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Bond Register in any form other than those which the Bank has currently available and currently utilizes at the time.

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

#### **Section 4.04. List of Bond Holders.**

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

The Bank will not release or disclose the contents of the Bond Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Bond Register, the Bank will notify the Issuer so that

the Issuer may contest the court order or such release or disclosure of the contents of the Bond Register.

**Section 4.05. Return of Cancelled Securities.**

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

**Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Bond Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

**Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

**ARTICLE FIVE  
THE BANK**

**Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

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

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

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

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

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

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

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

**Section 5.03. Recitals of Issuer.**

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

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

**Section 5.04. May Hold Securities.**

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

**Section 5.05. Moneys Held by Bank.**

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

Subject to the Unclaimed Property Laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Bond has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

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

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right

to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the Depository Trust Company's "Operational Arrangements," as they may be amended from time to time, which establishes requirements for Securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Attached hereto is a copy of the Letter of Representations with The Depository Trust Company.

**ARTICLE SIX  
MISCELLANEOUS PROVISIONS**

**Section 6.01. Amendment.**

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

**Section 6.02. Assignment.**

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

**Section 6.03. Notices.**

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

**Section 6.04. Effect of Headings.**

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**Section 6.05. Successors and Assigns.**

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

**Section 6.06. Severability.**

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

**Section 6.07. Benefits of Agreement.**

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**Section 6.08. Entire Agreement.**

This Agreement and the Bond Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Order, the Bond Order shall govern.

**Section 6.09. Counterparts.**

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

**Section 6.10. Termination.**

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

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

The provisions of Article Five and Section 1.02, to the extent that fees and expenses are due to the Paying Agent/Registrar under this Agreement at the time of termination, shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.**

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

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

**BOKF, NA dba Bank of Texas**

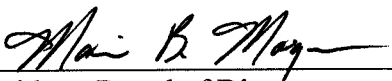
By: 

Jose A. Gaytan, Jr.  
Vice President, Relationship Manager

Mailing Address:

100 Congress Avenue, Suite 250  
Austin, Texas 78701

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

By:   
President, Board of Directors

Mailing Address:

c/o Willatt & Flickinger  
2001 North Lamar  
Austin, Texas 78705



## **SCHEDULE A**

### **Paying Agent/Registrar Fee Schedule**



**\$2,055,000**  
**South Buda Water Control and Improvement District No.1**  
**Unlimited Tax Bonds, Series 2013**

**PAYING AGENT/REGISTRAR**

**Schedule of Fees**

**Acceptance Fee:** **\$ 0**

**Annual Administration Fee:** **\$400.00**  
**(Billed Semi-Annually @ \$200.00 w/Debt Service)**

For ordinary administration services by Paying Agent/Registrar – includes daily routine account management ; investment transactions ; cash transaction processing in accordance with the agreement ; and mailing of trust account statements to all applicable parties. Float credit received by the bank for receiving funds that remain uninvested are deemed part of the Paying Agent's compensation.

Call or Redemption of Bonds At Cost  
Cost includes distribution to holders of record, redemption processing and notification to EMMA. Any and all publication expenses including Bond Buyer, Regional and Financial Periodicals for the call notice will be billed to the Issuer at cost.

Charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be determined by appraisal in the amounts commensurate with the service provided. Counsel fees, if ever retained as a result of a default, or other extraordinary occurrences on behalf of the bondholders or Bank of Texas, will be billed at cost.

Services not included in this Fee Schedule, but deemed necessary or desirable by you, may be subject to additional charges. Our proposal is subject in all aspects to review and acceptance of the final financing documents which sets forth our duties and responsibilities.

**Jose Gaytan**  
**Vice President**  
**Tel: 512.813.2002**  
**Fax: 512.813.2020**  
**[JGaytan@bankoftexas.com](mailto:JGaytan@bankoftexas.com)**

**Bank of Texas**  
**Corporate Trust Services**  
**100 Congress Avenue**  
**Suite 250**  
**Austin, TX 78701**

November 1, 2013

## SECRETARY'S CERTIFICATE

THE STATE OF TEXAS    §  
                                  §  
COUNTY OF HAYS       §

The undersigned Secretary of the Board of Directors of SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, hereby certifies as follows:

1. The Board of Directors of said District convened in SPECIAL MEETING, on the 12<sup>th</sup> day of November, 2013, at 8834 North Capital of Texas Highway, Suite 140, Austin, Texas 78759; and the roll was called of the duly constituted officers and members of said Board, to-wit:

Marvin B. Morgan - President  
Sean M. Denton - Vice President  
Eric N. Nelsen - Secretary  
Joe Priesnitz - Assistant Secretary  
John Fowler - Assistant Secretary

and all said persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting; a written

**RESOLUTION APPROVING PRELIMINARY OFFICIAL  
STATEMENT, AUTHORIZING DISTRIBUTION OF PRELIMINARY  
OFFICIAL STATEMENT AND AUTHORIZING PUBLICATION OF  
A NOTICE OF SALE OF BONDS; WITH OFFICIAL NOTICE OF SALE,  
OFFICIAL BID FORM AND PRELIMINARY OFFICIAL STATEMENT  
DATED NOVEMBER 7, 2013**

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

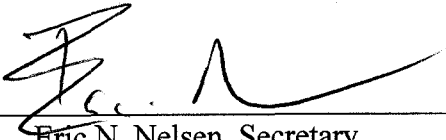
AYES:           5

NOES:           0

2. That 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 said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said meeting pertaining to the passage of said Resolution; that the persons named in the above and foregoing paragraphs are duly chosen, qualified, and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for passage at said meeting, and each of

said officers and members consented, in advance, to the holding of said meeting for such purpose; that said meeting was open to the public as required by law; and that public notice of the time, place, and subject of said meeting was given as required by Chapter 551, Government Code, and Sec. 49.063, Water Code.

**SIGNED AND SEALED** the 12<sup>th</sup> day of November, 2013.

By:   
Eric N. Nelsen, Secretary  
South Buda WCID No. 1

[DISTRICT SEAL]



**RESOLUTION APPROVING PRELIMINARY OFFICIAL  
STATEMENT, AUTHORIZING DISTRIBUTION OF PRELIMINARY  
OFFICIAL STATEMENT AND AUTHORIZING PUBLICATION OF  
A NOTICE OF SALE OF BONDS; WITH OFFICIAL NOTICE OF SALE,  
OFFICIAL BID FORM AND PRELIMINARY OFFICIAL STATEMENT**

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**WHEREAS**, South Buda Water Control and Improvement District No. 1 (the "District") is in the process of issuing its South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013; and

**WHEREAS**, the Board of Directors of the District has authorized the District's Financial Advisor, Specialized Public Finance Inc. (the "Financial Advisor"), to prepare a Preliminary Official Statement, Official Notice of Sale and Official Bid Form (collectively the "Preliminary Official Statement") for the Bonds; and

**WHEREAS**, the Board has reviewed the Preliminary Official Statement; and

**WHEREAS**, the Board deems it appropriate to approve the Preliminary Official Statement and authorize the distribution of the Preliminary Official Statement and publication of the Notice of Sale, as further set forth below.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 THAT:**

**Section 1. APPROVAL AND DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENT.** The Board hereby approves the Preliminary Official Statement substantially in the form attached hereto as Exhibit "A" with such changes, additions or deletions as directed by the Board. The District's Financial Advisor is hereby authorized and directed to distribute the Preliminary Official Statement to potential purchasers of the Bonds.

**Section 2. PUBLICATION OF NOTICE OF SALE.** The District's Financial Advisor is hereby authorized to publish a Notice of Sale of the Bonds in substantially the form attached hereto as Exhibit "B".

**Section 3. OTHER MATTERS.** The President or Vice President and the Secretary or Assistant Secretary of the Board are authorized to do all things proper and necessary to carry out the intent hereof, including the approval of appropriate changes to the Preliminary Official Statement and the Notice of Sale.

**Section 4. 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.

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

By: Marvin B. Morgan  
Marvin B. Morgan, President  
Board of Directors

**ATTEST:**

Eric Nelsen  
Eric Nelsen, Secretary  
Board of Directors

[SEAL]

This OFFICIAL NOTICE OF SALE does not alone constitute an invitation for bids on the Bonds but is merely notice of the sale of the Bonds described herein. The invitation for bids is being made by means of this OFFICIAL NOTICE OF SALE, the OFFICIAL BID FORM attached hereto and the PRELIMINARY OFFICIAL STATEMENT. Information contained in this OFFICIAL NOTICE OF SALE is qualified in its entirety by the detailed information contained in the OFFICIAL STATEMENT.

## OFFICIAL NOTICE OF SALE

### SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

**\$2,055,000**

### UNLIMITED TAX ROAD BONDS, SERIES 2013

The Bonds are obligations of South Buda Water Control and Improvement District No. 1 (the "District") and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District.

The Bonds will be designated as "Qualified Tax-Exempt Obligations" (see "DELIVERY AND ACCOMPANYING DOCUMENTS-Qualified Tax-Exempt Obligations for Financial Institutions" herein).

## THE SALE

**BONDS OFFERED FOR SALE BY COMPETITIVE BIDDING:** The Board of Directors (the "Board") of the District is inviting competitive bids for the purchase of \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds"). Bids may be submitted by either of three alternative procedures: (1) sealed, written bids; (2) electronic bids; or (3) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The District and Specialized Public Finance Inc., assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, facsimile or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this OFFICIAL NOTICE OF SALE, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

**PROCEDURE NUMBER 1: SEALED, WRITTEN BIDS:** Sealed bids, plainly marked "Bid for Bonds", should be addressed to "President and Board of Directors, South Buda Water Control and Improvement District No. 1", and should be delivered to the District's Financial Advisor, Dan Wegmiller, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 10:00 A.M., CST, on Thursday, November 21, 2013 ("the date of the bid opening").

**PROCEDURE NUMBER 2: ELECTRONIC BIDDING PROCEDURES:** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:00 A.M., CST, on the date of the bid opening. **Bidders must also submit, prior to 10:00 A.M., CST, on the date of the bid opening, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.**

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, attention: Jennifer Emery (212) 806-8304.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to either bidding system. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this OFFICIAL NOTICE OF SALE, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

**All electronic bids shall be deemed to incorporate the provisions of this OFFICIAL NOTICE OF SALE and OFFICIAL BID FORM. If any provisions of this OFFICIAL NOTICE OF SALE shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this OFFICIAL NOTICE OF SALE shall control.**

For information purposes only, and not as a part of their bid, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "Basis of Award" below.

**PROCEDURE NUMBER 3: BIDS BY TELEPHONE OR FACSIMILE:** Bidders must submit prior to 10:00 A.M., CST, on the date of the bid opening, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite

B-103, Austin, TX 78746, and submit their bid by telephone or facsimile (fax) by 10:00 A.M., CST, on the date of the bid opening.

Telephone bids will be accepted at (512) 275-7300, between 9:30 A.M. and 10:00 A.M., CST on the date of the bid opening.

Fax bids must be received between 9:30 A.M. and 10:00 A.M., CST, on the date of the bid opening at (512) 275-7305, attention: Dan Wegmiller.

**PLACE AND TIME OF BID OPENING:** The Board will award the sale of the Bonds at the offices of Gray Engineering, Inc., 8834 North Capital of Texas Highway, Suite 140, Austin, Texas 78759, at 12:00 Noon, CST, on Thursday, November 21, 2013. All bids, including those being hand delivered, must be received by 10:00 A.M., CST. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened.

**AWARD OF THE BONDS:** The District will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the "Initial Purchaser"), the Board will adopt an order authorizing the issuance of the Bonds (the "Bond Order"). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order, to which Bond Order reference is hereby made for all purposes. **The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.**

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

**EXTENSION OF SALE DATE:** The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 P.M., CST, on Wednesday, November 20, 2013, of the new date and time for receipt of bids. Such notice shall be considered an amendment to this OFFICIAL NOTICE OF SALE.

**MUNICIPAL BOND RATING AND INSURANCE:** No application has been made to any ratings agencies or municipal bond insurance companies for qualification of the Bonds for ratings or municipal bond insurance, respectively, nor is it anticipated the District would have received an investment grade rating had one been applied for.

## THE BONDS

**DESCRIPTION OF THE BONDS:** The Bonds will be dated November 15, 2013, and interest will accrue from the date of initial delivery and will be payable on August 1, 2014, and on each February 1 and August 1 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360 day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity, and principal and interest will be paid by the initial paying agent/registrar BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent/Registrar") which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See the PRELIMINARY OFFICIAL STATEMENT (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on August 1 in the years and amounts as follows:

### MATURITY SCHEDULE

Principal		Principal	
Year	Amount	Year	Amount
2016	\$ 35,000	2030	\$ 70,000
2017	35,000	2031	75,000
2018	35,000	2032	75,000
2019	40,000	2033	80,000
2020	40,000	2034	85,000
2021	40,000	2035	90,000
2022	45,000	2036	95,000
2023	45,000	2037	100,000
2024	50,000	2038	105,000
2025	55,000	2039	110,000
2026	55,000	2040	115,000
2027	60,000	2041	125,000
2028	60,000	2042	130,000
2029	65,000	2043	140,000



**OPTIONAL REDEMPTION PROVISIONS:** Bonds maturing on and after August 1, 2023, are subject to redemption prior to maturity, at the option of the District, as a whole or, from time to time in part, on August 1, 2022, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District.

**MANDATORY SINKING FUND REDEMPTION:** If the successful bidder designates principal amounts to be combined into one or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Bond and continuing on August 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned "MATURITY SCHEDULE." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Bonds that have been redeemed in such year and have not been the basis for any prior optional redemption.

**OTHER TERMS AND COVENANTS:** Other terms of the Bonds and various covenants of the District are contained in the Bond Order, which is described in the PRELIMINARY OFFICIAL STATEMENT, to which reference is made for all purposes.

**SOURCE AND SECURITY OF PAYMENT:** The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District.

**BOOK-ENTRY-ONLY SYSTEM:** The District intends to utilize the book-entry-only system of DTC. See "THE BONDS-Book-Entry-Only System" in the PRELIMINARY OFFICIAL STATEMENT.

**REGISTERED FORM REQUIREMENT:** Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners' income for federal income tax purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

## **CONDITIONS OF THE SALE**

**TYPES OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an "all or none" basis at a price of not less than ninety-seven percent (97%) of the par value to the date fixed for delivery. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3%. Using the interest rate established for 2023 as the base year, interest rates for successive maturities shall be structured in ascending order such that for each succeeding maturity, rates shall be equal to or greater than the interest rate for the maturity of the preceding year. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. **No bid generating a cash premium greater than \$5,000 will be considered.**

**BASIS OF AWARD:** For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto any discount bid, if any, or subtracting therefrom any premium bid, if any. **The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing.** Subject to such rights, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District. In the event mathematical discrepancies between the interest rate or rates and the interest costs determined therefrom, as both appear on the OFFICIAL BID FORM, the bid will be solely governed by the interest rates shown on the OFFICIAL BID FORM.

**GOOD FAITH DEPOSIT:** A Good Faith Deposit, payable to the "Buda Water Control and Improvement District No. 1", in the amount of \$41,100, is required. Such Good Faith Deposit shall be retained uncashed by the District pending the Initial Purchaser's compliance with the terms of the bid and this OFFICIAL NOTICE OF SALE. The Good Faith Deposit may be provided to the District via wire transfer (the District will provide wire instructions to the winning bidder), or in the form of a certified or cashier's check. The Good Faith Deposit will be retained by the District and (a) (i) if the Initial Purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the Initial Purchaser after delivery of the Bonds, (ii) if the Initial Purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to

the purchase price at the delivery of the Bonds; or (b) will be retained by the District as liquidated damages if the Initial Purchaser defaults with respect to its purchase of the Bonds in accordance with its bid; or (c) will be returned to the Initial Purchaser if the Bonds are not issued by the District for any reason which does not constitute a default by the Initial Purchaser.

## **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL BOND:** Initial delivery ("Initial Delivery") will be accomplished by the issuance of one initial bond payable in installments (collectively, the "Initial Bond"), either in typed or printed form, in the aggregate principal amount of \$2,055,000, registered in the name of the Initial Purchaser, manually signed by the President and Secretary or Assistant Secretary of the Board, or executed by the facsimile signatures of the President and Secretary or Assistant Secretary of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to DTC in connection with DTC's book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Austin, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about December 19, 2013, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CST, on December 19, 2013, or thereafter on the date the Bonds are tendered for delivery, up to and including January 2, 2014. If for any reason the District is unable to make delivery on or before January 2, 2014, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this OFFICIAL NOTICE OF SALE. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Initial Purchaser.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of typewritten bonds, the legal opinion of Bond Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption "No Material Adverse Change." In addition, if the District fails to comply with its obligations described in the PRELIMINARY OFFICIAL STATEMENT, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**LEGAL OPINIONS:** The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of Willatt & Flickinger, Austin, Texas ("Bond Counsel"), to a like effect and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

**CERTIFICATION REGARDING OFFERING PRICE OF BONDS:** In order to provide the District with information to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Initial Purchaser will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding "issue price" substantially in the form accompanying this OFFICIAL NOTICE OF SALE. If the Initial Purchaser will not reoffer the Bonds for sale or has not sold a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to certify actual sales of Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

**NO-LITIGATION CERTIFICATE:** With the delivery of the Bonds, the President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the best knowledge of the District's

certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

**NO MATERIAL ADVERSE CHANGE:** The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

**QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS:** The District expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during the calendar year 2013 is not expected to exceed \$10,000,000. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

## **GENERAL CONSIDERATIONS**

**INVESTMENT CONSIDERATIONS:** The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire PRELIMINARY OFFICIAL STATEMENT, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption "RISK FACTORS."

**RESERVATION OF RIGHTS:** The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

**NOT AN OFFER TO SELL:** This OFFICIAL NOTICE OF SALE does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this OFFICIAL NOTICE OF SALE, the PRELIMINARY OFFICIAL STATEMENT and the OFFICIAL BID FORM.

**FINAL OFFICIAL STATEMENT:** The District has prepared and authorized distribution of the accompanying PRELIMINARY OFFICIAL STATEMENT for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version for such purpose except as described below. The District will be responsible for completing the OFFICIAL STATEMENT by inserting the interest rates and the purchase price bid by the Initial Purchaser and the initial public offering yields as provided by the Initial Purchaser to the District, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the OFFICIAL STATEMENT otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying PRELIMINARY OFFICIAL STATEMENT to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final OFFICIAL STATEMENT or any amendment or supplement thereto in the requested quantity to the purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the OFFICIAL STATEMENT which are or will be made by the District are those described in the PRELIMINARY OFFICIAL STATEMENT under "PREPARATION OF OFFICIAL STATEMENT—Certification of Official Statement."

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the OFFICIAL STATEMENT to and including the date the Initial Purchaser is no longer required to provide an OFFICIAL STATEMENT to potential customers who request the same pursuant to 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the OFFICIAL STATEMENT is available to any person from the Municipal Securities Rulemaking Board but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the OFFICIAL STATEMENT to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the OFFICIAL STATEMENT which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described above. See "DELIVERY AND ACCOMPANYING DOCUMENTS—Conditions to Delivery." The obligation of the District to update or change the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the OFFICIAL STATEMENT will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

**DELIVERY OF OFFICIAL STATEMENTS:** The District will furnish OFFICIAL STATEMENTS to the Initial Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated

by the Initial Purchaser), within seven (7) business days after the sale date. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the OFFICIAL STATEMENT or any supplement or amendment as the Initial Purchaser may reasonably request as described above in "GENERAL CONSIDERATIONS—Changes to Official Statement".

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE:** The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

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

**SUBSTANTIVE REQUIREMENTS FOR OFFICIAL STATEMENT:** The District became obligated to make continuing disclosure filings in connection with the issuance of its Unlimited Tax Bonds, Series 2010. Since that time, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with SEC Rule 15c2-12(b)(5)(i).

**ADDITIONAL COPIES OF DOCUMENTS:** Additional copies of this OFFICIAL NOTICE OF SALE, the PRELIMINARY OFFICIAL STATEMENT and the OFFICIAL BID FORM may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

/s/ MARVIN B. MORGAN  
President, Board of Directors  
South Buda Water Control and Improvement District No. 1

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS NOVEMBER 7, 2013.

# **OFFICIAL BID FORM**

President and Board of Directors  
 South Buda Water Control and Improvement District No. 1  
 8834 North Capital of Texas Highway, Suite 140  
 Austin, Texas 78759

Board Members:

We have read in detail your OFFICIAL NOTICE OF SALE and accompanying PRELIMINARY OFFICIAL STATEMENT dated November 7, 2013, relating to the South Buda Water Control and Improvement District No. 1 (the "District") \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$2,055,000, we will pay you a price of \$\_\_\_\_\_ (which amount does not include a premium of more than \$5,000), representing \_\_\_\_\_% of the par value. Such Bonds mature August 1, in each of the years and in the amounts and interest rates shown below:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
8/1/2016	\$ 35,000	_____ %	8/1/2030	\$ 70,000	_____ %
8/1/2017	35,000	_____ %	8/1/2031	75,000	_____ %
8/1/2018	35,000	_____ %	8/1/2032	75,000	_____ %
8/1/2019	40,000	_____ %	8/1/2033	80,000	_____ %
8/1/2020	40,000	_____ %	8/1/2034	85,000	_____ %
8/1/2021	40,000	_____ %	8/1/2035	90,000	_____ %
8/1/2022	45,000	_____ %	8/1/2036	95,000	_____ %
8/1/2023	45,000	_____ %	8/1/2037	100,000	_____ %
8/1/2024	50,000	_____ %	8/1/2038	105,000	_____ %
8/1/2025	55,000	_____ %	8/1/2039	110,000	_____ %
8/1/2026	55,000	_____ %	8/1/2040	115,000	_____ %
8/1/2027	60,000	_____ %	8/1/2041	125,000	_____ %
8/1/2028	60,000	_____ %	8/1/2042	130,000	_____ %
8/1/2029	65,000	_____ %	8/1/2043	140,000	_____ %

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

Term Bond Maturing August 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %

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

TOTAL INTEREST COST FROM 12/19/13	\$ _____
PLUS DOLLAR AMOUNT OF DISCOUNT	\$ _____
NET INTEREST COST	\$ _____
NET EFFECTIVE INTEREST RATE	_____ %

The Initial Bond shall be registered in the name of \_\_\_\_\_ (Purchaser/syndicate manager). We will advise BOKF, NA dba Bank of Texas, Austin, Texas, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

A wire transfer or a cashiers or certified check to the District in the amount of \$41,100 will be made available in accordance with the OFFICIAL NOTICE OF SALE made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the OFFICIAL NOTICE OF SALE, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the OFFICIAL NOTICE OF SALE, with such changes thereto as may be acceptable to the District.

We understand the sale of the Bonds has not been registered 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 acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the District assumes no responsibility or obligation for the distribution or delivery of any copies of the OFFICIAL STATEMENT or other information concerning the District and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

\_\_\_\_\_  
Name of Initial Purchaser or Manager

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

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

\_\_\_\_\_  
Signature

**Please check one of the options below regarding Good Faith Deposit:**

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby in all things accepted by South Buda Water Control and Improvement District No. 1, this the 21<sup>st</sup> day of November, 2013.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors  
South Buda Water Control and Improvement District No. 1

\_\_\_\_\_  
President, Board of Directors  
South Buda Water Control and Improvement District No. 1

# ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the sale of South Buda Water Control and Improvement District No. 1 (the "District") \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds"):

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

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$ 35,000	2016	%	\$ 70,000	2030	%
35,000	2017	%	75,000	2031	%
35,000	2018	%	75,000	2032	%
40,000	2019	%	80,000	2033	%
40,000	2020	%	85,000	2034	%
40,000	2021	%	90,000	2035	%
45,000	2022	%	95,000	2036	%
45,000	2023	%	100,000	2037	%
50,000	2024	%	105,000	2038	%
55,000	2025	%	110,000	2039	%
55,000	2026	%	115,000	2040	%
60,000	2027	%	125,000	2041	%
60,000	2028	%	130,000	2042	%
65,000	2029	%	140,000	2043	%

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

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$	2014	%	\$	2028	%
	2015	%		2029	%
	2016	%		2030	%
	2017	%		2031	%
	2018	%		2032	%
	2019	%		2033	%
	2020	%		2034	%
	2021	%		2035	%
	2022	%		2036	%
	2023	%		2037	%
	2024	%		2038	%
	2025	%		2039	%
	2026	%		2040	%
	2027	%		2041	%

6. Please choose the appropriate statement:

☐ The Initial Purchaser will not purchase bond insurance for the Bonds.

☐ The Initial Purchaser will purchase bond insurance from \_\_\_\_\_  
(the "Insurer") for a fee/premium of \$\_\_\_\_\_ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Initial Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

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

EXECUTED and DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

Name of Purchaser or Manager

\_\_\_\_\_

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

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



**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 7, 2013**

IN THE OPINION OF BOND COUNSEL, 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.

**THE BONDS ARE EXPECTED TO BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS."**  
**SEE "TAX MATTERS-QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."**

**NEW ISSUE-Book-Entry Only**

**\$2,055,000**

**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

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

**UNLIMITED TAX ROAD BONDS, SERIES 2013**

**Dated Date: November 15, 2013**

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

**Interest to Accrue from the Date of Initial Delivery**

The bonds described above (the "Bonds") are obligations solely of South Buda Water Control and Improvement District No. 1 (the "District") and are not obligations of the State of Texas ("State"), Hays County, Hays Consolidated Independent School District, the City of Buda (the "City") or any entity other than the District.

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

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA dba Bank of Texas, Austin, Texas, (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of initial delivery and will be payable each August 1 and February 1, commencing August 1, 2014, until maturity or prior redemption. Interest will be payable on the basis of a 360 day year consisting of twelve 30 day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below.

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

**MATURITY SCHEDULE**

8/1 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(c)</sup>	8/1 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(c)</sup>
2016	\$ 35,000				2030 <sup>(b)</sup>	\$ 70,000			
2017	35,000				2031 <sup>(b)</sup>	75,000			
2018	35,000				2032 <sup>(b)</sup>	75,000			
2019	40,000				2033 <sup>(b)</sup>	80,000			
2020	40,000				2034 <sup>(b)</sup>	85,000			
2021	40,000				2035 <sup>(b)</sup>	90,000			
2022 <sup>(b)</sup>	45,000				2036 <sup>(b)</sup>	95,000			
2023 <sup>(b)</sup>	45,000				2037 <sup>(b)</sup>	100,000			
2024 <sup>(b)</sup>	50,000				2038 <sup>(b)</sup>	105,000			
2025 <sup>(b)</sup>	55,000				2039 <sup>(b)</sup>	110,000			
2026 <sup>(b)</sup>	55,000				2040 <sup>(b)</sup>	115,000			
2027 <sup>(b)</sup>	60,000				2041 <sup>(b)</sup>	125,000			
2028 <sup>(b)</sup>	60,000				2042 <sup>(b)</sup>	130,000			
2029 <sup>(b)</sup>	65,000				2043 <sup>(b)</sup>	140,000			

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (b) The Bonds maturing on and after August 1, 2023, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 1, 2022, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Willatt & Flickinger, Austin, Texas, Bond Counsel. Andrews Kurth LLP, Austin, Texas, has been engaged to serve as disclosure counsel for the offering. See "LEGAL MATTERS." Delivery of the Bonds through DTC is expected on or about December 19, 2013.

**BIDS DUE THURSDAY, NOVEMBER 21, 2013 BY 10:00 A.M. CST**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

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

## SALE AND DISTRIBUTION OF THE BONDS

**AWARD OF THE BONDS . . .** After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of \_\_\_\_\_% of the par value thereof which resulted in a net effective interest rate of \_\_\_\_\_% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

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

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

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

**SECURITIES LAWS . . .** No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

*Description*..... The District was created by order of the Commissioner's Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79<sup>th</sup> Legislature, Chapter 429 ("Chapter 429") and Acts 2005, 79<sup>th</sup> Legislature, Chapter 1323 ("Chapter 1323" and, together with Chapter 429, the "Legislation"), now codified as Chapter 9004, Texas Special District Local Laws Code ("Chapter 9004"). These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These laws were codified by Chapter 9004, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above. See "THE DISTRICT."

*Location*..... The District contains approximately 409 acres and is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35. See "AERIAL BOUNDARY MAP."

*The Developers*..... The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract". The Meadows Tract consists of approximately 195 acres and the Len-Buf Tract consists of approximately 214 acres.

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light. See "THE DISTRICT - Status of Development" and "THE DEVELOPERS."

The developer of the Len-Buf Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. As of August 31, 2009, Lennar Corporation has available cash of \$1.34 billion and no outstanding borrowings under the corporation's credit facility. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

*Status of Development* ..... At the time of the District's creation in January 2005, the land within the District was owned by the Meadows at Buda, Ltd. The Len-Buf Tract was annexed into the District on November 2, 2005. Lennar purchased the Len-Buf Tract on March 31, 2006.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

<i>Homebuilders.....</i>	Currently, three homebuilders are active within the District: (i) Lennar, (ii) Homes by Avi, Texas, L.P. ("Avi"), and (iii) Gehan Homes. See "THE DEVELOPER – Homebuilders."
<i>Payment Record.....</i>	The Bonds are the District's third issuance of debt, but its first issuance of debt to be used to pay for road improvements in the District. Approximately eighteen (18) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

## **THE BONDS**

<i>Description.....</i>	\$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds") are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature on August 1 in the years 2016 through 2043. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery and will be payable August 1, 2014, and each February 1 and August 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."
<i>Book-Entry-Only.....</i>	DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.
<i>Redemption.....</i>	Bonds maturing on and after August 1, 2023, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 1, 2022, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS-Optional Redemption."
<i>Use of Proceeds.....</i>	Proceeds of the Bonds will be used to pay for road improvements in the District as well as the costs of issuance on the Bonds.
<i>Authority for Issuance.....</i>	The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvements in the District. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Chapters 49 and 51 of the Texas Water Code, an election held within the District, and the general laws of the State of Texas. See "RISK FACTORS-Future Debt" and "THE BONDS-Authority for Issuance" and "-Issuance of Additional Debt."
<i>Source of Payment.....</i>	The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors 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 and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax. See "THE BONDS-Source of Payment."
<i>Municipal Bond Rating and Insurance.....</i>	No application has been made to any of the rating agencies or municipal bond insurance companies for qualification of the Bonds for ratings or municipal bond insurance, respectively, nor is it anticipated the District would have received an investment grade rating had one been applied for.
<i>Qualified Tax-Exempt Obligations.....</i>	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2013 is not expected to exceed \$10,000,000. See "TAX MATTERS-Qualified Tax-Exempt Obligations for Financial Institutions."
<i>Bond Counsel.....</i>	Willatt & Flickinger, Austin, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
<i>Disclosure Counsel.....</i>	Andrews Kurth LLP, Austin, Texas.

## RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

### SELECTED FINANCIAL INFORMATION (UNAUDITED)

2009 Certified Taxable Assessed Valuation .....	\$ 43,619,527 <sup>(a)</sup>
2010 Certified Taxable Assessed Valuation .....	\$ 58,994,215 <sup>(a)</sup>
2011 Certified Taxable Assessed Valuation .....	\$ 70,725,317 <sup>(a)</sup>
2012 Certified Taxable Assessed Valuation .....	\$ 80,922,123 <sup>(a)</sup>
2013 Certified Taxable Assessed Valuation .....	\$ 100,482,875 <sup>(a)</sup>
Gross Direct Debt Outstanding .....	\$ 8,020,000 <sup>(b)</sup>
Estimated Overlapping Debt .....	<u>7,113,414</u> <sup>(c)</sup>
Gross Direct Debt and Estimated Overlapping Debt .....	\$ 15,133,414
Ratios of Gross Direct Debt to:	
2013 Certified Taxable Assessed Valuation .....	7.98%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2013 Certified Taxable Assessed Valuation .....	15.06%
Debt Service Funds Available:	
Capitalized Interest (18 months at 5.50%) .....	\$ 169,538 <sup>(d)</sup>
General Operating Fund Balance as of September 30, 2013 .....	\$ 1,224,472
2013 District Debt Service Tax Rate .....	\$ 0.4665
2013 District Maintenance Tax Rate .....	0.4335
2013 Hays County Tax Rate .....	0.4252
2013 Hays ESD #8 .....	0.1000
2013 Hays Consolidated Independent School District Tax Rate .....	<u>1.4613</u>
2013 Total Overlapping Tax Rate .....	\$ 2.8865
Estimated Average Annual Debt Service Requirement (2014-2043) .....	\$ 493,648 <sup>(b)</sup>
Estimated Maximum Annual Debt Service Requirement (2034) .....	\$ 617,088 <sup>(b)</sup>
Tax Rates Required to Pay Estimated Average Annual Debt Service (2014-2043) at a 90% Collection Rate	
Based upon 2013 Certified Taxable Assessed Valuation .....	\$ 0.5459
Tax Rates Required to Pay Estimated Maximum Annual Debt Service (2034) at a 90% Collection Rate	
Based upon 2013 Certified Taxable Assessed Valuation .....	\$ 0.6824
Status of Development as of October 1, 2013:	
Homes Completed and Occupied .....	512
Homes Under Construction or Owned by a Home Builder .....	83
Lots Available for Home Construction .....	159
Number of Multi-Family Units Constructed .....	264
Number of Multi-Family Units Occupied .....	250
Developed Acreage .....	218
Undeveloped but Developable Acreage .....	180
Undevelopable acreage .....	11.592
Estimated Population .....	1,539 <sup>(e)</sup>

(a) As provided by the Hays Central Appraisal District (the "Appraisal District" or "HCAD").

(b) Includes the Bonds. See "DEBT SERVICE REQUIREMENTS." Preliminary, subject to change.

(c) See "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt."

(d) See "USE AND DISTRIBUTION OF BOND PROCEEDS." Preliminary, subject to change.

(e) Based upon an estimate of 3 persons per occupied single-family residence.

## OFFICIAL STATEMENT

\$2,055,000

### **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1** *(A political subdivision of the State of Texas located within Hays County)*

#### **UNLIMITED TAX ROAD BONDS SERIES 2013**

This Official Statement provides certain information in connection with the issuance by South Buda Water Control and Improvement District No. 1 (the "District") of its \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds").

The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvements in the District. Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Special District Local Laws Code ("Chapter 9004"), Chapters 49 and 51 of the Texas Water Code ("Chapters 49 and 51"), an election held within the District and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

#### **RISK FACTORS**

**GENERAL . . .** The Bonds are obligations solely of the District and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS-Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

#### **FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS**

**Economic Factors and Interest Rates:** A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed and developed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values; and thus increase the rate of taxation in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately one mile southeast of the City of Buda, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the area's metropolitan and regional economies. See "Regional Economics" below.

**National and Regional Economy:** Nationally, and to a certain extent in Texas, there has been a significant downturn in new housing construction caused primarily by the unavailability of mortgage funds, resulting in a decline in housing market values. The District is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35. The District cannot predict what impact, if any, a continued downturn in the national and Texas housing market and financial markets may have on the area market. See "Maximum Impact on District Tax Rates" below.

**Competition:** The demand for and construction of single-family homes in the District could be affected by competition from other residential developments in western Hays County, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developers 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 additional building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

**MAXIMUM IMPACT ON DISTRICT TAX RATES . . .** Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2013 Certified Taxable Assessed Valuation is \$100,482,875. After issuance of the Bonds, the estimated maximum debt service requirement will be \$617,088 (2034), and the estimated average annual debt service requirement will be \$493,648 (2014-2043, inclusive). Assuming no increase or decrease from the 2013 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.6824 and \$0.5459 per \$100 appraised valuation at a ninety percent (90%) collection rate would be necessary to pay the estimated maximum debt service requirement and the estimated average annual debt service requirement, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners.

**DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPERS . . .** The ten principal taxpayers represent \$24,399,578 or 24.28% of the District's 2013 Certified Taxable Assessed Valuation of \$100,482,875. The District's homebuilders represent \$5,448,918 or 5.41% of such value. If the Developers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA-Principal Taxpayers," and "TAXING PROCEDURES-Levy and Collection of Taxes."

The Developers have informed the Board that their current plan is to continue marketing the remaining developed lots in the District to home builders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

**UNDEVELOPED ACREAGE . . .** Approximately 218 acres within the District have been developed and provided with water, wastewater and storm drainage and detention facilities, and 180 acres remain undeveloped. Single-family residential lots are planned for 110 acres of the undeveloped acreage and 69.24 acres is planned for commercial use. However, as described above, the District cannot guarantee or make any representation regarding the certainty of any such plans.

**DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . .** As of October 1, 2013, approximately 83 developed lots owned by the homebuilders and developers within the District remain available for home construction. Failure of the Developer or homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported debt of the District. Future increases in value will result primarily from the construction of homes by builders. See "Maximum Impact on District Tax Rates" above.

**TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . .** The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt" and "-Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against



such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**REGISTERED OWNERS' REMEDIES . . .** Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Order are limited. Although state law and the Bond Order provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. State law and the Bond Order do not provide for acceleration of maturity of the Bonds. Additionally, the Bond Order does not appoint a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property.

Further, the Registered Owners themselves cannot 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 rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally or by a State statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners' Rights" below.

**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. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 Registered Owners 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.

A district may not be forced into bankruptcy involuntarily.

**FUTURE DEBT . . .** The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, and refunding bonds and notes and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$12,000,000, which is expected to be financed with future bond issues. A total of \$78,000,000 principal amount of water, wastewater and drainage funds and \$6,000,000 for road improvements has been authorized by the District's voters. After the issuance of the Bonds, \$71,920,000 of water, wastewater and drainage funds as well as \$3,945,000 for road improvements will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The issuance of certain types of additional bonds and obligations for water, wastewater and drainage facilities are subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District anticipates that it may issue the full principal amount of unissued bonds authorized for water, wastewater and drainage purposes (\$71,920,000) in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District has agreed to limit the amount of similarly secured bonds which it may issue based on the following formula: the assessed value of all taxable property within the District, as shown by the latest appraisal roll issued for the District by the Hays Central Appraisal District, together with the projected increase in the assessed value that is allowed by the rules of the TCEQ, is such that the debt service on the District's outstanding Bonds, and the Bonds then being issued, can be paid with a tax rate of \$0.90 per \$100 of assessed valuation. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS-Issuance of Additional Debt."

**UTILITY OPERATIONS . . .** The District receives potable water from the portion of the District located west of IH 35 from Monarch Utilities I, L.P. ("Monarch") pursuant to a 50 year wholesale water supply contract dated October 25, 2005 between the District and Monarch. The contract with Monarch provides for water in an amount sufficient to serve up to 984 living-unit-equivalents ("LUEs"). The District also receives water for a portion of the District located east of IH 35 from Goforth Water

Supply Corporation ("Goforth") pursuant to a water supply contract dated April 7, 2006. The contract with Goforth reserves 880 LUEs of capacity with Goforth's system for the District.

The District receives wastewater treatment service from the City of Buda (the "City") based on terms of the Consent and Development Agreement (the "Development Agreement") dated November 2, 2005 and as amended on February 27, 2006 and February 28, 2006. Pursuant to the Development Agreement, the City agrees to provide wastewater treatment service for the ultimate build-out of the District which is anticipated to be 1,694 LUEs. The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development. The City's existing wastewater discharge permit is for a 0.95 million gallons per day ("MGD") wastewater treatment plant with scheduled expansion which will bring the capacity up to 1.5 MGD.

**ENVIRONMENTAL REGULATIONS . . .** 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:

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, waste water treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to districts. 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, Hays, 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 nearnonattainment 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 be 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 1, 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.

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

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by 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 Districts' ability to obtain TPDES permits and maintain those permits. Districts 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 is also potentially subject to requirements and restrictions under the Clear 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.

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

**OVERLAPPING AND COMBINED TAX RATES** . . . The tax rate projections for the District reflects a composite tax rate including the District's debt service and/or maintenance taxes, not to exceed \$2.8865 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Hays County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the District are consistent with the rules of the TCEQ. If the total combined tax rate of the District should ever exceed \$1.20, the District could be prohibited under rules of the TCEQ from selling additional bonds.

The District intends to issue additional debt which may change the projected and actual tax rates in the future, which changes may adversely affect future growth and which could affect the ability of the District to issue future debt.

**EFFECTS OF PLANNED COMMUNITY** . . . The Developers have represented that they intend to sell developed lots to homebuilders. See "THE DISTRICT" and "THE DEVELOPERS." However, the Developers have no legal obligation to the District to carry out its current plans or any other plans of development within the District. Furthermore, there is no restriction on the Developers or other landowners selling their land. The District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See "Factors Affecting Taxable Values and Tax Payments" above. Neither the Developers nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See "THE DEVELOPERS." Furthermore, the Developers have no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment.

**NO REQUIREMENT TO BUILD ON DEVELOPED LOTS** . . . There is currently no requirement that individuals or other purchasers of developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

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

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS** . . . Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS-Tax Exemption."

**GOVERNMENTAL APPROVAL . . .** The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project nor the feasibility of the District, will be reviewed, considered or approved by the TCEQ.

**DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . .** As reflected in "THE DISTRICT- History and Status of Development" herein, the housing product completed and currently planned for portions of the District consists of single family homes with anticipated prices ranging from \$150,000 up to \$200,000.

**HOUSING MARKET VOLATILITY . . .** In recent months, increased disruption in the housing market and related volatility in the financial markets has lead to a significant number of foreclosures on single family homes.

Since January 1, 2012 there have been 11 posted foreclosures of single family homes in the District.

The District can neither predict future conditions in the housing or financial markets nor provide any prediction as to the likelihood or number of home foreclosures within the District.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **THE BONDS**

**DESCRIPTION . . .** The Bonds will be dated November 15, 2013, with interest to accrue from the date of initial delivery, be payable each August 1 and February 1, beginning August 1, 2014 (each an "Interest Payment Date"), and will mature on the dates and in the amounts shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 of principal amount or any integral multiple of \$5,000.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and accrued interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), New York, New York, 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.

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 & 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](http://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 Initial Purchasers take any responsibility for the accuracy thereof.

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

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 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 ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**SOURCE OF PAYMENT . . .** The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors 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 and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, the City of Buda, Hays Consolidated Independent School District, or any entity other than the District.

**FUNDS . . .** The Bond Order creates or confirms the establishment and maintenance by the District of a Debt Service Fund and a Construction Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the holders of the Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

**DEBT SERVICE FUND . . .** The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on the Bonds and Paying Agent fees in respect to 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 initial purchaser, the amount received from proceeds of the Bonds representing accrued interest and capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect 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/Registrar when due.

**CONSTRUCTION FUND . . .** The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Construction Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund or as otherwise authorized by the TCEQ.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2023, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 1, 2022, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**NOT LESS THAN 30 DAYS PRIOR TO A REDEMPTION DATE FOR THE BONDS, THE PAYING AGENT/REGISTRAR SHALL CAUSE A NOTICE OF REDEMPTION TO BE SENT BY UNITED STATES MAIL, FIRST CLASS, POSTAGE PREPAID, TO THE REGISTERED OWNERS OF THE BONDS TO BE REDEEMED, IN WHOLE OR IN PART, AT THE ADDRESS OF THE REGISTERED OWNER APPEARING ON THE REGISTRATION BOOKS OF THE PAYING AGENT/REGISTRAR. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY**

GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar 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, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bond to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bond or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bond for redemption (see "THE BONDS-Book-Entry-Only System").

**AUTHORITY FOR ISSUANCE . . .** The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvement in the Districts. Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Chapters 49 and 51, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas

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

**REGISTRATION AND TRANSFER . . .** So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

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

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

The District or the Paying Agent/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 Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

**LOST, STOLEN OR DESTROYED BONDS . . .** In the event the book-entry-only system should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/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 and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously



outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**ISSUANCE OF ADDITIONAL DEBT . . .** The District may issue additional ad valorem tax bonds and long-term revenue bonds and notes, with the approval of the TCEQ, necessary to provide water, wastewater and drainage facilities consistent with the purposes for which the District was created. See "THE DISTRICT-General." The District's voters have authorized the issuance of \$78,000,000 principal amount of new money bonds for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. The District voters also authorized the issuance of \$6,000,000 principal amount of new money bonds for the purpose of road improvements. The issuance of additional bonds to refund or redeem the District's bonds is also authorized. After the issuance of the Bonds, \$71,920,000 of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a water, wastewater and drainage system as well as \$3,945,000 to fund road improvements in the District.

The Bond Order imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

According to the Developers, following the issuance of the Bonds, the District will remain obligated to reimburse the Developers \$12,000,000 for the facilities serving the existing development within the District. The District expects to submit bond applications to the TCEQ for the sale of additional bonds to satisfy its obligation to pay the Developers for such facilities. The District intends to issue such bonds in approximately annual installments, subject to the pace of development and timely TCEQ approval. See "RISK FACTORS-Future Debt."

**Fire-fighting activities.** The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for firefighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

**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 utility 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 lies within the extraterritorial jurisdiction of the City of Buda, Texas. Under Texas law, the City of Buda can annex territory within the district but Section 9 of the Consent and Development Agreement restricts the City as to when it can annex territory. At such time as it is permissible pursuant to law for the District to be annexed, and if the City of Buda did annex the District, the City of Buda would be required to assume the District's assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Buda is a policy-making matter within the discretion of the Mayor and City Council of the City of Buda and therefore, the District makes no representation that the City of Buda will ever annex the District and assume its debt.

**ALTERATION OF BOUNDARIES . . .** In certain circumstances, under Texas law the District may alter its boundaries to: (i) annex additional territory upon satisfying certain conditions; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the simultaneous annexation by the District of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District would affect any change in its boundaries.

**BONDHOLDERS' REMEDIES . . .** The Bond Order provides that, in addition to all other rights and remedies of any registered owner provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Bond Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Bond Order. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as



it becomes due or perform other material terms and covenants contained in the Bond Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. "RISK FACTORS—Registered Owners' Remedies."

The District is also 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 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 Bond holders 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 Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See "RISK FACTORS—Bankruptcy Limitation to Registered Owners' Rights."

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The registered owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds.

**LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, school districts and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

**DEFEASANCE . . .** The Bond Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue such Bonds to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the

making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with 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 Texas law.

**CERTAIN AGREEMENTS BETWEEN THE DISTRICT, THE DEVELOPERS,  
THE CITY OF BUDA, THE GWSC AND THE MONARCH UTILITIES I, L.P.**

The District is located entirely within the extraterritorial jurisdiction of the City of Buda (the "City").

On April 9, 2004, the City and Gunn & Whittington Development II, L.L.C. ("G&W") entered into an Agreement Concerning Creation and Operation of South Buda Water Control and Improvement District No. 1 (the "G&W Agreement"), as amended by a first amendment dated October 19, 2004 (the "First Amendment") and a second amendment also dated October 19, 2004 (the "Second Amendment" and, together with the G&W Agreement and the First Amendment, the "Previous Agreement"). Pursuant to the Second Amendment, G&W assigned all its right, title and interest in the Previous Agreement to The Meadows at Buda, Ltd, a Texas limited partnership (the "Meadows").

The Previous Agreement was restated and replaced by a Consent and Development Agreement effective as of November 2, 2005 (the "Development Agreement"), by and among the City, the District, Meadows, Lennar Buffington Horton, L.P., a Texas limited partnership ("Len-Buf") and NewStand Buda, Ltd., a Texas limited partnership ("NewStand" and, together with Meadows and Len-Buf, the "Developers").

Pursuant to the Development Agreement, the City consented to (i) the purposes of the District being the acquisition, construction and improvement of water, wastewater, drainage, fire protection, park and road facilities, (ii) the District's the issuance of bonds, (iii) the levy of taxes by the District, and (iv) the annexation of certain property. Additionally, under the Development Agreement, the City and the District agreed to enter into a Strategic Partnership Agreement to define the terms and condition of annexation of property in the District by the City and the relationship between the City and the District, including matters related to the issuance of debt by the District, and the collection of sales and use tax by the City.

The Development Agreement obligates the City to provide continuous and adequate retail wastewater service to customers within the boundaries of the Meadows Tract and the Len-Buf Tract subject to the construction of certain facilities and conditions of the agreement, and the District is obligated to install all wastewater lines and facilities within the District necessary to provide wastewater service within the District. Such wastewater lines and facilities will be maintained by the City in accordance with the terms of the agreement within 30 days of completion, inspection and final acceptance and will be dedicated to the City pending developer reimbursement. The Development Agreement also recognizes the District's intention to reimburse the Developers for funding or constructing facilities from bond proceeds.

In the Development Agreement, the City agrees that the District can issue bonds and notes for any lawful purpose. Further, the parties acknowledge that by execution of the Development Agreement, the District has contracted with the City and that the City will assume the ownership, operation, and maintenance of the wastewater system financed by the District and that the Developers are entitled to reimbursement of any funds advanced on behalf of the District to the extent permitted by the agreement and by the law and rules of the TCEQ. The Development Agreement provides that the obligations of District thereunder may be performed on behalf of the District by a Developer. The Development Agreement is scheduled to terminate on April 11, 2046.

The District has entered into the following agreements (collectively, the "Reimbursement Agreements") with one or more of the Developers relating to financing and construction of certain water, sanitary sewer, water quality and drainage improvements and park and road improvements:

1. Utility Construction Agreement between the District and Meadows at Buda, Ltd.
2. Utility Construction Agreement between the District and NewStand Buda/NewMark Homes/ Standard Pacific of Texas.
3. Utility Construction Agreement between the District and Len-Buf Land Acquisitions of Texas, L.P., and the Meadows at Buda, Ltd.
4. Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
5. First Amendment to Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
6. Construction and Reimbursement Agreement between the District and the Meadows at Buda Commercial, Ltd.
7. Agreement on Bond Reimbursement for Impact Fees and LUE Fees paid by AOH-Vantage at Buda by and between the District, the Meadows at Buda Commercial, Ltd. and AOH-Vantage at Buda, L.L.C.

Pursuant to the Reimbursement Agreements, the Developers have agreed to advance all of the District's share of the costs incurred in connection with the construction of such water, sanitary sewer, water quality and drainage improvements and park and road improvements, and the District has agreed to reimburse the Developers for such costs from the proceeds of bonds issued by the District from time to time. See "RISK FACTORS-Future Debt" and "THE BONDS-Issuance of Additional Debt."

Pursuant to a Non-Standard Water Service Agreement by and between Goforth Water Supply Corporation ("GWSC") and the District dated April 11, 2006 (the "GWSC Agreement"), GWSC agrees to reserve capacity for, and provide retail water service in a quantity not to exceed 680 living unit equivalents ("LUEs"). In addition, the District is obligated to obtain from GWSC an additional 200 LEUs of service commitment. The District has agreed to pay GWSC a monthly reservation fee for the first 680 LUEs of reserved capacity in an amount sufficient to pay all fixed costs owed by GWSC to Guadalupe-Blanco River Authority. Pursuant to the GWSC Agreement, GWSC has agreed to acquire the water distribution facilities from the District. Further, the GWSC Agreement provides that GWSC will own, operate and maintain the water supply and internal water distribution system for the Len-Buf Tract.

The District has entered into a Water Services Agreement with Monarch Utilities I, L.P., a Texas Limited Partnership ("Monarch") dated October 25, 2005 (the "Monarch Agreement"). Pursuant to the 50-year Monarch Agreement for water supply, the District will pay LUE fees to contribute to the cost of Monarch's existing and future facilities necessary to provide service to the District. The District agrees to construct a water distribution system sufficient to serve the property west of IH 35. Upon request from Monarch, the District will pass water through the District system to provide retail service to the property west of IH 35. Monarch will provide water to the District, on a wholesale basis sufficient to meet the annual needs of the District but in no event more than 984 LUEs including 66 LUEs for service to several out-of-district commercial properties. Monarch will charge the District a rate of \$1,605 per LUE.

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## USE AND DISTRIBUTION OF BOND PROCEEDS

### I. CONSTRUCTION COSTS

	<u>District's Share</u>
A. CR 132 Realignment	
1. Road Improvements .....	\$ 1,001,188
2. Change Orders 1-16 .....	245,579
Total Developer Contribution Items .....	\$ 1,246,767
Engineering .....	\$ 296,445
<b>Total Construction Costs (75.10% of BIR) .....</b>	<b>\$ 1,543,212</b>

### II. NON-CONSTRUCTION COSTS

A. Legal Fees (1.5%) .....	\$ 30,825
B. Fiscal Agent Fees (1.75%) .....	35,963
C. Capitalized Interest (18 Months at 5.50%) .....	169,538
D. Bond Discount (3%) .....	61,650
E. Developer Interest .....	200,344
F. Cost of Issuance .....	24,881
G. Attorney General Fee (0.1%) .....	2,055
<b>Total Non-Construction Costs .....</b>	<b>\$ 525,256</b>

**TOTAL BOND ISSUE REQUIREMENT .....** \$ 2,055,000

## THE DISTRICT

**GENERAL . . .** The District was created by order of the Commissioner's Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79<sup>th</sup> Legislature, Chapters 429 and 1323. These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These laws were codified by Chapter 9004, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above.

The District is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35.

The District is empowered, among other things, to construct road improvements and 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 is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District, including the District's issuance of bonds for water, wastewater and drainage facilities. The City of Buda has no jurisdiction regarding issuance of the District's bonds. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "WATER, SANITARY SEWER AND DRAINAGE FACILITIES-Regulation."

**VALIDATION SUIT . . .** In Cause No. D-1-GN-07-000914, styled *Ex Parte South Buda Water Control and Improvement District No. 1*, on April 23, 2007, the District Court of Travis County, Texas entered a final judgment (the "Final Judgment") in a validation suit establishing that the District has all of the rights, powers, privileges, authority, functions, and duties provided by the general law of this state, including Chapter 441, Transportation Code, applicable to road utility districts created under the authority of Article 3, Section 52, Texas Constitution, and, in that capacity, the District has the authority to issue bonds to reimburse the cost of relocating part of County Road 132 in Hays County, Texas.

The Final Judgment provides:

The District may have written on the bonds that it proposes to issue the following certificate:

This obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; Ex Parte South Buda Water Control and Improvement District No. 1; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation.

**LAND USE . . .** The following table has been provided by the District's Engineer and represents the current and planned land use within the District.

<u>Land Use</u>	<u>Approximate Acres</u>	<u>Lots</u>
Single-Family Residential.....	203.....	643
Multi-Family.....	16.....	1 *
Undeveloped Residential .....	110.....	460
Undeveloped Commercial .....	69	
Undevelopable.....	<u>11</u>	
Total.....	409	

\* Contains 264 Units.

**STATUS OF DEVELOPMENT . . .** The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract".

**The Meadows Tract:** The Meadows Tract consists of approximately 127 acres of land within the District that is being developed by NewStand for residential use, 16 acres of land within the District for an apartment complex and 43.3 acres of land within the District for commercial use which is being developed by MBC Development. Upon completion of development, the residential portion of the Meadows Tract is expected to contain approximately 510 single family lots. To date, 389 single family lots have been developed in the residential portion of the Meadows Tract.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

**The Len-Buf Tract:** The Len-Buf Tract consists of approximately 214 acres of land within the District, of which 185.3 acres is being developed by Lennar as the Stonefield project, a master planned community comprised of approximately 698 single family lots and 25.9 developable commercial acres located on Interstate 35.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots, and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

**FUTURE DEVELOPMENT . . .** The District is currently planned as a primarily single-family residential development. Approximately 110 developable acres of land in the District planned for single-family residential use and 69.24 developable acres of land in the District planned for commercial use are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities. While the Developers anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed.

The District anticipates issuing additional bonds to accomplish full development of the District. The Engineer has stated that under current development plans, the remaining authorized but unissued new money bonds authorized for the acquisition and construction of water, wastewater and storm drainage facilities (\$71,920,000) is expected to be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District's water, wastewater and storm drainage system for full development of the District and to reimburse the Developers for funds previously advanced to complete such facilities. See "RISK FACTORS—Factors Affecting Taxable Values and Tax Payments", "—Future Debt" and "THE SYSTEM."

## THE DEVELOPERS

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

**THE DEVELOPERS . . .** The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract".

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partner is Michael D. Garringer, Grant E. Gist and Robert S. Light and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light.

NewStand and MBC Development are controlled by Robert S. Light, Michael D. Garringer and Grant E. Gist.

The developer of the Len-Buf Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. As of August 31, 2009, Lennar Corporation has available cash of \$1.34 billion and no outstanding borrowings under the corporation's credit facility. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Lennar's Austin Division has been involved in the development of several communities either as an individual owner or in a partnership capacity. Communities in Austin, Texas and the immediate surrounding areas include Amberwood, Barker Ranch, Bell Farms, Bradshaw Crossing, Bridges at Bear Creek, Chandler Creek, Circle C, Colorado Crossing, Crossing at Onion Creek, Legends of Hutto, Mayfield Ranch – Parkside, Red Oaks, Ridgewood, Silver Leaf, Southpark Meadows (Residential), Stonewall Ranch, and Villages of Hidden Lake.

NewStand, MBC Development and Lennar are referred to herein, collectively, as the "Developers".

**DEVELOPMENT HISTORY . . .** At the time of the District's creation in January 2005, the land within the District was owned by the Meadows at Buda, Ltd. The Len-Buf Tract was annexed into the District on November 2, 2005. Lennar purchased the Len-Buf Tract on March 31, 2006.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

**DEVELOPMENT FINANCING . . .** The Len-Buf Tract: Lennar has financed its development of the Len-Buf Tract through the use of its own corporate funds.

The Meadows Tract: On October 27, 2005, NewStand entered into a Development Loan Agreement with Texas State Bank for a revolving line of credit in the amount of \$9,000,000 (the "TSB Loan") to finance the development of the residential portions of the Meadows Tract. The TSB Loan was decreased to \$7,500,000 pursuant to the Modification Agreement dated October 27, 2007 (the "Modification Agreement"). On December 31, 2008, NewStand entered into a Modification, Renewal and Extension Agreement with Compass Bank, as successor to Texas State Bank (the "Compass Loan"). On February 24, 2010, Compass Bank assigned its rights to the Compass Loan to Robert S. Light. The loan has an outstanding balance of approximately \$2,595,000 and matures on February 23, 2015.

MBC Development financed the development of the commercial portions of the Meadows Tract with a \$6,700,000 loan from American Bank of Commerce dated February 24, 2006 (the "ABC Loan"). The ABC Loan was modified in January 2012. The ABC loan matures on January 30, 2017 and has a current balance of \$1,953,814.

**HOMEBUILDERS . . .** Currently, three homebuilders are active within the District: (i) Lennar, (ii) Homes by Avi, Texas, L.P. ("Avi"), and (iii) Gehan Homes. For information on Lennar see "THE DEVELOPERS" above.

## MANAGEMENT OF THE DISTRICT

**BOARD OF DIRECTORS . . .** The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the third Saturday of May in even numbered years only. None of the Board members reside within the District; however, each member owns a small parcel of land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin B. Morgan	President	May, 2016
Sean M. Denton	Vice President	May, 2016
Eric Nelsen	Secretary	May, 2016
John Fowler	Assistant Secretary	May, 2014
Joe Priesnitz	Assistant Secretary	May, 2014

**DISTRICT CONSULTANTS . . .** The District does not have any full-time employees, but contracts for certain necessary services as described below.

**Tax Appraisal:** The Hays Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

**Tax Assessor/Collector:** The District contracts with the Hays County Tax Assessor/Collector (the "Tax Assessor/Collector") to serve in this capacity.

**Operator:** AWR Services operates, maintains and manages the provision of retail water service in the portion of the District west of IH 35. Goforth WSC provides retail water service in the territory east of IH 35. Retail wastewater service is provided within the District by the City of Buda.

**Engineer:** The District's consulting engineer is Gray Engineering, Inc.

**Bookkeeper:** The District has contracted with Tri-South Construction, Inc. for bookkeeping services.

**Auditor:** The District's financial statements for the year ended September 30, 2012, were audited by Maxwell Locke & Ritter, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited September 30, 2012 financial statements.

**Bond Counsel/Attorney:** The District has engaged Willatt & Flickinger as Bond Counsel in connection with the issuance of the District's debt obligations. Bond Counsel fees are contingent upon the sale and delivery of the Bonds.

**Financial Advisor:** Specialized Public Finance Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

**General Counsel:** The District has engaged Willatt & Flickinger as general counsel to the District. Compensation to the firm for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Compensation for other legal services to the District is based on time charges actually incurred.

**Disclosure Counsel:** Andrews Kurth LLP has been engaged as Disclosure Counsel in connection with the issuance of the Bonds. The fees of the attorneys in their capacity as Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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## **WATER, SANITARY SEWER AND DRAINAGE FACILITIES**

**REGULATION . . .** Construction and operation of the water, sanitary sewer and storm drainage system serving the District as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Hays County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

**WATER SUPPLY AND DISTRIBUTION . . .** The District receives potable water for the portion of the District located west of IH 35 from Monarch Utilities I, L.P. ("Monarch") pursuant to a 50 year wholesale water supply contract dated October 25, 2005 between the District and Monarch. The contract with Monarch provides for water in an amount sufficient to serve up to 984 living-unit-equivalents ("LUEs"). The District also receives water for a portion of the District located east of IH 35 from Goforth Water Supply Corporation ("Goforth") pursuant to a water supply contract dated April 7, 2006. The contract with Goforth reserves 880 LUEs of capacity with Goforth's system for the District.

Monarch's system which supplies water to the District consists of 0.25 million gallons ("MG") elevated storage, 0.217 MG ground storage, 2 vertical turbine pumps with 1,600 gallons per minute ("gpm") capacity, 2 ground water supply wells with a combined capacity of 400 gpm and one 350 gpm wholesale connection.

Goforth has reserved capacity of 275 acre feet per year (680 LUEs) for the District through an agreement with the Guadalupe Blanco River Authority. The District will require and obtain from Goforth an additional capacity of 200 LUEs upon payment of additional reservation fees for such capacity and any associated capital costs. The Goforth system facilities consist of 5 wells with a combined capacity of 3,600 gpm, 8 booster pumps with a combined capacity of 7,200 gpm, ground storage tanks with a combined capacity of 889,772 gallons, elevated storage tanks with a combined capacity of 2,068,000 gallons and a 10,000 gallon pressure tank.

The western portion of the District has 2 metered interconnects with Monarch as water enters and exits the District. An additional unmetered emergency connection exists but the valve remains closed.

The District's water supply is capable of serving 1,864 equivalent sing-family connections ("ESFCs") which is sufficient to serve the 248 ESFCs necessary to support the bond issue.

**WASTEWATER COLLECTION AND TREATMENT . . .** The District receives wastewater treatment service from the City of Buda (the "City") based on terms of the Consent and Development Agreement (the "Development Agreement") dated November 2, 2005 and as amended on November 2, 2005. Pursuant to the Development Agreement, the City agrees to provide wastewater treatment service for the ultimate build-out of the District which is anticipated to be 1,694 LUEs. The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development. The City's existing wastewater discharge permit is for a 0.95 million gallons per day ("MGD") wastewater treatment plant with scheduled expansion which will bring the capacity up to 1.5 MGD.

The District's wastewater is collected through 8-inch and 12-inch collection lines and is then conveyed via the City operated 650 gpm Phase I Lift Station and Force Main to the City's wastewater collection system and treatment plant.

The District's wastewater capacity of 984 ESFCs is sufficient to serve the 248 ESFCs necessary to support the feasibility of this bond issue.

**STORM DRAINAGE FACILITIES . . .** The Meadows at Buda, on the west side of IH 35, generally drains in an easterly direction towards Porter Creek. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The detention pond designed and constructed with The Meadows at Buda Phases 1 and 2 improvements discharges into Porter Creek. Runoff in Stonefield, on the east side of IH 35, drains in all directions from a highpoint located in the northeastern quadrant of the site. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The discharge from the existing Stonefield Phase One pond is conveyed under CR 133 to a roadside channel along IH 35 via four existing 48-inch RCPs.

Drainage in the District is controlled through a combination of storm sewers under streets with curbs and gutters which outfalls into detention ponds. The stormwater from The Meadows at Buda, Sections 1 and 2 flows through the detention facility before exiting the District in an easterly direction. The stormwater in Stonefield Section One flows through a detention facility and exits the District in a southerly direction.

**100-YEAR FLOOD PLAIN . . .** The Flood Insurance Rate Map associated with the District indicates that a portion of the land in the District is located within the 100-year flood plain. See "THE DISTRICT-Land Use." The Developer does not plan to develop any portion of the District that is within the floodplain.



## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Bonds at a net interest cost of 5.50% for purposes of illustration. Preliminary, subject to change.

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds			Total Outstanding Debt
	Principal	Interest	Total	Principal	Interest	Total	
2014	\$ 120,000	\$ 280,230	\$ 400,230	\$ -	\$ 80,373	\$ 80,373	\$ 480,603
2015	125,000	276,630	401,630	-	113,025	113,025	514,655
2016	130,000	272,815	402,815	35,000	113,025	148,025	550,840
2017	140,000	268,485	408,485	35,000	111,100	146,100	554,585
2018	150,000	263,435	413,435	35,000	109,175	144,175	557,610
2019	160,000	257,598	417,598	40,000	107,250	147,250	564,848
2020	165,000	251,108	416,108	40,000	105,050	145,050	561,158
2021	175,000	244,153	419,153	40,000	102,850	142,850	562,003
2022	190,000	236,565	426,565	45,000	100,650	145,650	572,215
2023	195,000	228,175	423,175	45,000	98,175	143,175	566,350
2024	210,000	219,365	429,365	50,000	95,700	145,700	575,065
2025	220,000	209,665	429,665	55,000	92,950	147,950	577,615
2026	235,000	199,350	434,350	55,000	89,925	144,925	579,275
2027	250,000	188,131	438,131	60,000	86,900	146,900	585,031
2028	265,000	176,069	441,069	60,000	83,600	143,600	584,669
2029	285,000	163,081	448,081	65,000	80,300	145,300	593,381
2030	300,000	149,106	449,106	70,000	76,725	146,725	595,831
2031	320,000	134,163	454,163	75,000	72,875	147,875	602,038
2032	345,000	118,213	463,213	75,000	68,750	143,750	606,963
2033	360,000	100,425	460,425	80,000	64,625	144,625	605,050
2034	390,000	81,863	471,863	85,000	60,225	145,225	617,088
2035	150,000	61,750	211,750	90,000	55,550	145,550	357,300
2036	160,000	54,250	214,250	95,000	50,600	145,600	359,850
2037	165,000	46,250	211,250	100,000	45,375	145,375	356,625
2038	175,000	38,000	213,000	105,000	39,875	144,875	357,875
2039	185,000	29,250	214,250	110,000	34,100	144,100	358,350
2040	195,000	20,000	215,000	115,000	28,050	143,050	358,050
2041	205,000	10,250	215,250	125,000	21,725	146,725	361,975
2042	-	-	-	130,000	14,850	144,850	144,850
2043	-	-	-	140,000	7,700	147,700	147,700
	<u>\$ 5,965,000</u>	<u>\$ 4,578,373</u>	<u>\$ 10,543,373</u>	<u>\$ 2,055,000</u>	<u>\$ 2,211,073</u>	<u>\$ 4,266,073</u>	<u>\$ 14,809,446</u>

Average Annual Debt Service Requirements (2014-2043) .....	\$ 493,648
Maximum Annual Debt Service Requirement (2034).....	\$ 617,088

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**ESTIMATED OVERLAPPING DEBT . . .** The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Ad valorem debt figures listed herein are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas.

Certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Hays County .....	\$ 275,980,000	10/1/13	0.63%	\$ 1,738,674
Hays Consolidated Independent School District.	281,400,000	10/1/13	1.91%	<u>5,374,740</u>
Total Estimated Overlapping Debt .....				\$ 7,113,414
The District's Total Direct Debt <sup>(a)</sup> .....				<u>8,020,000</u>
Total Direct and Estimated Overlapping Debt .....				\$ 15,133,414

Direct and Estimated Overlapping Debt as a Percentage of:

2013 Certified Taxable Assessed Valuation<sup>(b)</sup> ..... 15.06%

(a) Includes the Bonds.

(b) As certified by the Hays Central Appraisal District (the "Appraisal District" or "HCAD").

**OVERLAPPING TAXES . . .** Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property.

The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of other taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. See "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt."

Set forth below are all of the taxes levied for the 2013 tax year by all taxing jurisdictions that overlap the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2013 Tax Rate Per \$100 Assessed Valuation</u>
Hays County .....	\$ 0.4252
Hays ESD #8.....	0.1000
Hays Consolidated Independent School District.....	<u>1.4613</u>
Total Overlapping Tax Rate.....	\$ 1.9865
The District .....	<u>0.9000</u>
Total Tax Rate .....	\$ 2.8865

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# STATEMENT OF ACTIVITIES

	Governmental Activities, Fiscal Year				
	2012	2011	2010	2009	2008
Water and Wastewater	\$ 638,879.00	\$ 484,857	\$ 418,778.00	\$ 585,018	\$ 133,770
Property Tax	643,491	549,782	395,792	302,275	97,404
Interest and Miscellaneous	20,584	8,030	6,799	42,524	987
Total Revenues	\$ 1,302,954	\$ 1,042,669	\$ 821,369	\$ 929,817	\$ 232,161
Professional Fees	\$ 128,014	\$ 131,955	\$ 173,908	\$ 193,716	\$ 181,887
Repairs and Maintenance	28,390	48,862	54,755	64,342	21,338
Water and Wastewater	491,867	345,213	301,712	509,164	114,741
Contracted Services	65,059	52,825	56,135	41,131	31,695
Debt Service	257,427	150,677	46,366	-	-
Recurring Operating	95,326	29,798	29,637	21,819	10,783
Capital Outlay	-	-	462,193	-	-
Depreciation	58,023	23,286	6,765	-	-
Total Expenses	\$ 1,124,106	\$ 782,616	\$ 1,131,471	\$ 830,172	\$ 360,444
Excess/(deficiency)	\$ 178,848	\$ 260,053	\$ (310,102)	\$ 99,645	\$ (128,283)
Beginning Net Assets	(287,076)	(547,129)	(237,057)	(336,702)	(208,419)
Ending Net Assets	<u>\$ (108,228)</u>	<u>\$ (287,076)</u>	<u>\$ (547,159)</u>	<u>\$ (237,057)</u>	<u>\$ (336,702)</u>

Source: The District's Audited Financial Statements.

The Unaudited Net Assets as of September 30, 2013 was \$5,824,681.

## TAX DATA

**DEBT SERVICE TAX . . .** The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, ad valorem property tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on the Bonds. The TCEQ, in connection with its approval of the Bonds, recommended that a debt service tax rate of not less than \$0.9000 per \$100 of appraised valuation be levied in the initial year after the issuance of the Bonds, which is expected to be 2013. See "RISK FACTORS-Factors Affecting Taxable Values and Tax Payments," "TAX DATA-Historical Tax Rate," "TAX DATA-Tax Roll Information" below and "TAXING PROCEDURES."

**MAINTENANCE TAX . . .** The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.00 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

**TAX EXEMPTIONS . . .** The District has not adopted any local option tax exemptions for property located within the District.

**ADDITIONAL PENALTIES . . .** The District has contracted with the Hays County Tax Assessor/Collector to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty to defray the costs of collection.

## HISTORICAL TAX RATE

	2009	2010	2011	2012	2013
Debt Service	\$ 0.0000	\$ 0.0000	\$ 0.4850	\$ 0.4665	\$ 0.4665
Maintenance	0.8500	0.9000	0.4150	0.4335	0.4335
Total	\$ 0.8500	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000

**HISTORICAL TAX COLLECTIONS . . .** The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's tax assessor/collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Year	Net Certified Taxable Assessed Valuation <sup>(a)</sup>	Tax Rate	Total <sup>(b)</sup> Tax Levy	Current Collections		Total Collections		As of
				Amount	Percent	Amount	Percent	
2006	\$ 6,321,647	\$ 0.85	\$ 53,734	\$ 53,734	100.00%	\$ 53,734	100.00%	09/30/07
2007	11,316,941	0.85	96,194	94,990	98.75%	94,990	98.75%	09/30/08
2008	31,181,691	0.85	265,044	244,895	92.40%	249,350	94.08%	09/30/09
2009	43,619,527	0.90	392,576	392,576	99.50%	442,377	112.69%	09/30/10
2010	58,994,215	0.90	530,961	530,861	99.98%	532,680	100.34%	09/30/11
2011	70,725,317	0.90	638,665	638,561	99.98%	640,099	100.22%	09/30/12
2012	80,922,123	0.90	728,299	724,203	99.44%	724,203	99.44%	09/30/13
2013	100,482,875	0.90	838,559	N/A	N/A	N/A	N/A	10/31/13

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

**TAX ROLL INFORMATION . . .** The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES-Valuation of Property for Taxation"). The following represents the composition of property comprising the 2011, 2012 and 2013 Certified Taxable Appraised Valuations.

	2013 Certified Taxable Appraised Valuation	2012 Certified Taxable Appraised Valuation	2011 Certified Taxable Appraised Valuation
Land and Improvements	\$ 105,844,736	\$ 81,670,288	\$ 71,539,752
Total Appraised Valuation	\$ 105,844,736	\$ 81,670,288	\$ 71,539,752
Exemptions	<u>5,361,861</u>	<u>748,165</u>	<u>814,435</u>
Total Taxable Appraised Valuation	<u>\$ 100,482,875</u>	<u>\$ 80,922,123</u>	<u>\$ 70,725,317</u>

**PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's appraised value as a percentage of the 2013 Certified Taxable Assessed Valuation. The 2013 Certified Taxable Assessed Valuation is subject to protest, which could result in changes to the principal taxpayers lists.

Name of Taxpayer	2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SIR Buda Ranch LLC	\$ 14,105,964	14.04%
Lennar Homes of Texas Land & Constr.	4,102,590	4.08%
The Meadows at Buda Commercial Ltd.	2,720,090	2.71%
Newstand Buda Ltd.	1,428,656	1.42%
Homes by AVI (Texas) LP	656,540	0.65%
Lennar Homes of Texas Sales & Marketing	406,490	0.40%
Gehan Homes Ltd.	283,298	0.28%
Muraira, Selina	235,060	0.23%
Gaspar, Eugene Christopher	233,960	0.23%
Gray, Stephen & Marlene	226,930	0.23%
	<u>\$ 24,399,578</u>	<u>24.28%</u>

**TAX ADEQUACY FOR DEBT SERVICE . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet estimated average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2013 Certified Taxable Assessed Valuation as provided by the Hays Central Appraisal District of \$100,482,875. The calculations use a net interest cost of 5.50% collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Estimated Average Annual Debt Service Requirement (2014-2043).....	\$ 493,648
\$0.5459 Tax Rate on 2013 Certified Taxable Assessed Valuation at 90% collection.....	\$ 493,682
Estimated Maximum Annual Debt Service Requirement (2034).....	\$ 617,088
\$0.6824 Tax Rate on 2013 Certified Taxable Assessed Valuation at 90% collection.....	\$ 617,126

## **TAXING PROCEDURES**

**AUTHORITY TO LEVY TAXES . . .** The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (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 Payment." Under Texas law, the Board may also levy and collect a separate annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA-Maintenance Tax."

**PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . .** The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized 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 Hays Central Appraisal District has the responsibility for appraising property for all taxing units within Hays County, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the "Appraisal Review Board").

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . .** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30.

**Freeport Goods:** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage,

manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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

The District has not entered into any tax abatement agreements.

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business being valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

**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 the operation and maintenance tax rate that would impose 1.08 times the amount of the operation and maintenance tax imposed by the District in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older. 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 as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA-Estimated Overlapping Taxes"). 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS-Tax Collection Limitations and Foreclosure Remedies."

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

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

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 or may affect the valuation of such property.

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## LEGAL MATTERS

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

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

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

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

**NO-LITIGATION CERTIFICATE** . . . The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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## TAX MATTERS

**OPINION . . .** On the date of initial delivery of the Bonds, Willatt & Flickinger, 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 are not 'specified private activity bonds' and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 56(a)(5) of the Internal Revenue Code of 1986, as amended. 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's Opinion".

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether 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 Bonds, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments and 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 (as defined in Section 61 of the Code) an amount of income with respect to such original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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

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

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

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

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

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

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

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

## PREPARATION OF OFFICIAL STATEMENT

**SOURCES AND COMPILATION OF INFORMATION . . .** The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

**Tax Assessor/Collector:** The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Hays County Tax Assessor/Collector's office and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

**Engineer:** The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "WATER, SANITARY SEWER AND DRAINAGE FACILITIES" has been provided by Gray Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

**Developer:** The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE DEVELOPERS" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

**Auditor:** The information contained in this Official Statement related to the District's financial information was audited and provided by Maxwell Locke & Ritter, LLP, Certified Public Accountants.

**UPDATING THE OFFICIAL STATEMENT . . .** If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

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

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") of the United States Securities and Exchange Commission ("SEC"). This information will be publicly available on the MSRB's internet website at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A. The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2013. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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, as amended (the "Rule").

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

**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 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 THE MSRB . . .** The District has agreed to provide the foregoing updated 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 Board.

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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** The District became obligated to make continuing disclosure filings in connection with the issuance of its Unlimited Tax Bonds, Series 2010. Since that time, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with SEC Rule 15c2-12(b)(5)(i).

#### MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

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President, Board of Directors  
South Buda Water Control and Improvement District No. 1

ATTEST:

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Secretary, Board of Directors  
South Buda Water Control and Improvement District No. 1

## **AERIAL BOUNDARY MAP**



DEITCH TO ACCOMPANY DESCRIPTION  
213.897 ACRE TRACT

TRINIDAD VARGAS SURVEY NO. 9, ABSTRACT # 465  
KEESSE PARTNERS, LTD.  
TRACT 1  
VOL. 1795, PG. 101 O.P.R.H.G.  
TRACT 3  
VOL. 1795, PG. 101 O.P.R.H.G.

P.O.B.

APPROXIMATE  
SURVEY LINE

SCALE 1" = 500'

INTERSTATE HIGHWAY NO. 35  
(R.O.W. VARIES)

213.897 ACRES

WILMOT ROBERDEAU HORTON  
JOHN COLEMAN HORTON  
VOL. 1514 PG. 575 O.P.R.H.G.

GEORGE HENDER SURVEY  
ABSTRACT # 239

COUNTY ROAD 119  
(OLD GORFORTH ROAD)

SOUTHWESTERN BELL  
TELEPHONE COMPANY  
VOL. 124, PAGE 250  
D.R.H.G.

COUNTY ROAD 133  
(OUTSIDE TERRACE)

WILLIS A. MOORE SURVEY  
ABSTRACT NO. 331



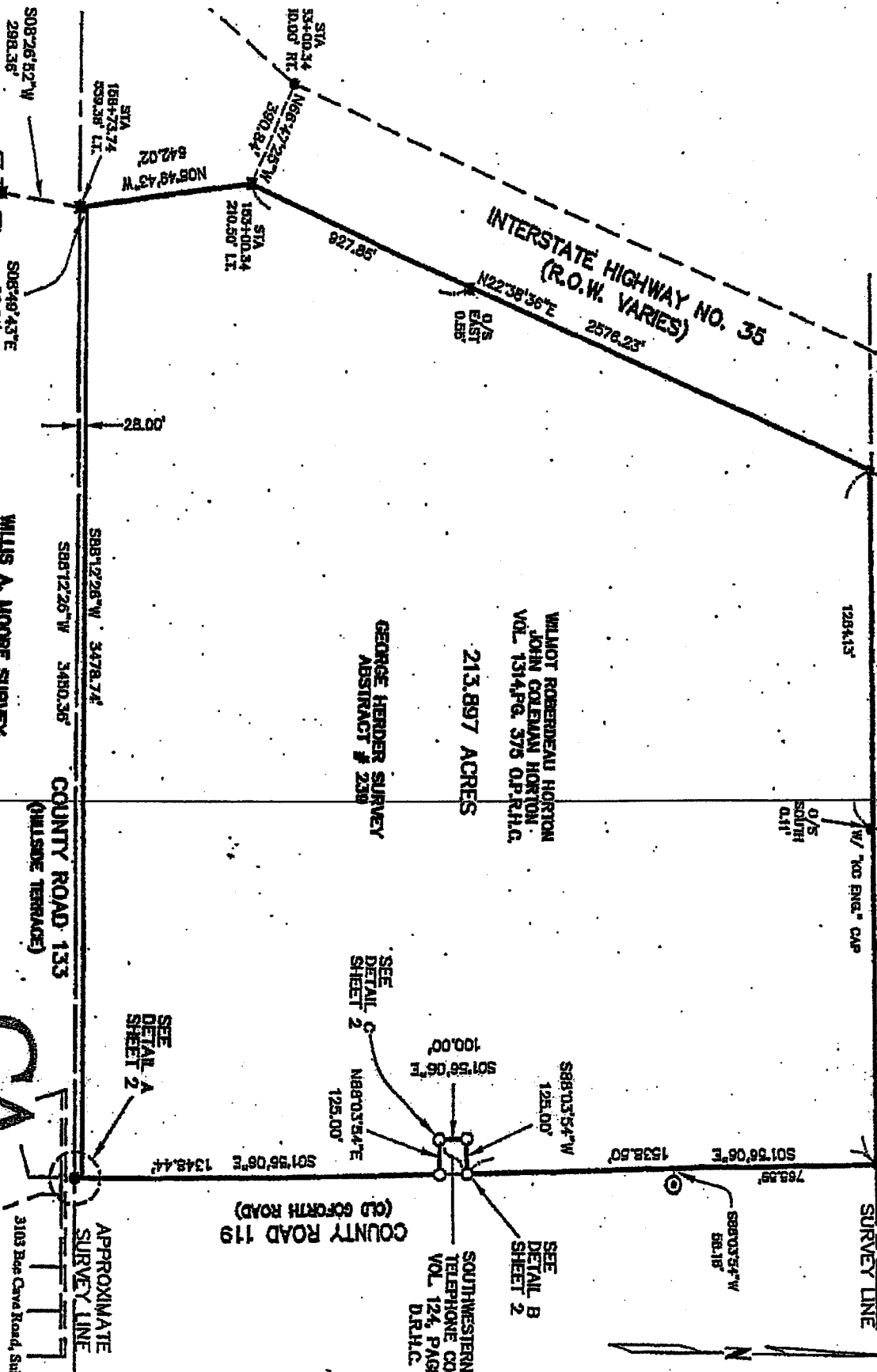
3103 Bee Cave Road, Suite 202  
Austin, Texas 78746-6819

OPRIGHT 2005 CUNNINGHAM-ALLEN, INC.

SHEET 1 OF 2

Cunningham Allen  
Engineers & Surveyors

Tel: (512) 327-2946  
Fax: (512) 327-2973





## **PHOTOGRAPHS OF THE DISTRICT**







**APPENDIX A**

**AUDITED FINANCIAL STATEMENT OF THE DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**



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  
South Buda Water Control and Improvement District No. 1:

We have audited the accompanying financial statements of the governmental activities and each major fund of South Buda Water Control and Improvement District No. 1 (the "District") as of and for the year ended September 30, 2012, 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 previously 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, 2012, 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*

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

*Maxwell Roche + Pitter LLP*

January 3, 2013

# **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO.1**

## **Management's Discussion and Analysis For the Year Ended September 30, 2012**

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of South Buda Water Control and Improvement District No. 1 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2012. Please read it in connection with the District's financial statements that follow.

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, if any, 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*.

### **Financial Highlights**

- The liabilities of the District exceeded its assets at the close of the most recent year by \$108,228.
- The District issued \$3,145,000 in Series 2011 Unlimited Tax Bonds.

### **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 balance 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*.

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

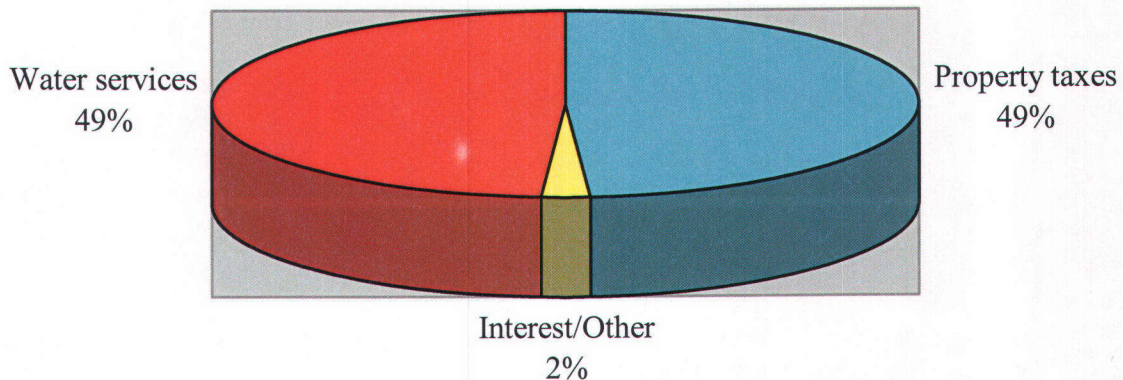
	Governmental Activities		
	2012	2011	% Change
Current and Other Assets	\$ 1,801,404	\$ 1,199,936	50%
Capital and Non-Current Assets	4,509,515	1,811,870	149%
<b>Total Assets</b>	<b>\$ 6,310,919</b>	<b>\$ 3,011,806</b>	<b>110%</b>
Current Liabilities	\$ 242,826	\$ 192,617	26%
Long-term Liabilities	6,176,321	3,106,265	99%
<b>Total Liabilities</b>	<b>\$ 6,419,147</b>	<b>\$ 3,298,882</b>	<b>95%</b>
Invested in Capital Assets, net of related debt	\$ (1,449,788)	\$ (1,098,093)	(32%)
Restricted	482,162	115,767	316%
Unrestricted	859,398	695,250	24%
<b>Total Net Assets</b>	<b>\$ (108,228)</b>	<b>\$ (287,076)</b>	<b>62%</b>

## Statement of Activities

	Governmental Activities		
	2012	2011	% Change
Water and tap/inspection fees	\$ 638,879	\$ 484,857	32%
Property taxes	643,491	549,782	17%
Interest and miscellaneous	20,584	8,030	156%
<b>Total revenues</b>	<b>1,302,954</b>	<b>1,042,669</b>	<b>25%</b>
Water	491,867	345,213	42%
Professional fees	128,014	131,955	(3%)
Repairs and maintenance	28,390	48,862	(42%)
Contracted services	65,059	52,825	23%
Debt service	257,427	150,677	71%
Recurring operating	95,326	29,798	220%
Depreciation	58,023	23,286	149%
<b>Total expenses</b>	<b>1,124,106</b>	<b>782,616</b>	<b>44%</b>
<b>Change in net assets</b>	<b>178,848</b>	<b>260,053</b>	<b>(31%)</b>
Beginning net assets	(287,076)	(547,129)	48%
<b>Ending net assets</b>	<b>\$ (108,228)</b>	<b>\$ (287,076)</b>	<b>62%</b>

Operating revenues were approximately \$1,303,000 for the year ended September 30, 2012. Of this amount, water and tap/inspection fees provided approximately \$639,000, and property taxes provided approximately \$643,000 in revenues. Total expenses were approximately \$1,124,000 for the year ended September 30, 2012. Of this amount, professional fees totaled approximately \$128,000, and water purchases totaled approximately \$492,000. Net assets increased approximately \$179,000 for the year ended September 30, 2012.

### Source of Revenue





## Analysis of Governmental Funds

	2012	2011	2010
Cash	\$ 1,713,222	1,091,670	1,039,273
Investments	13,756	13,739	13,723
Receivables	77,274	91,063	49,604
Prepaid expenditures	-	3,554	4,041
<b>Total assets</b>	<b>\$ 1,804,252</b>	<b>1,200,026</b>	<b>1,106,641</b>
Accounts payable	\$ 108,144	88,246	77,350
Meter deposits	30,525	26,625	24,725
Deferred revenue	479	1,913	3,751
Accrued bank interest payable	-	-	15,985
<b>Total liabilities</b>	<b>139,148</b>	<b>116,784</b>	<b>121,811</b>
Nonspendable	-	3,554	4,041
Restricted for:			
Debt service	529,111	138,603	299,736
Capital projects	25,720	4	175,792
Assigned for-			
Builder advances	251,298	251,298	251,298
Unassigned fund balance	858,975	689,783	253,963
<b>Total fund balances</b>	<b>1,665,104</b>	<b>1,083,242</b>	<b>984,830</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,804,252</b>	<b>1,200,026</b>	<b>1,106,641</b>

The District complies with 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.

**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 of Directors.

**Assigned** - For the General Fund, amounts that are appropriated by the Board of Directors, or their designee, 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 expenditures. When comparing actual to budget, actual revenues were less than budget by approximately \$217,000 due to a change in the allocation of revenues between funds, which was offset some by an increase in water service revenue. Actual expenditures were greater than budget by approximately \$66,000. More detailed information about the District's budget is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$55,000 and bond interest of \$216,052. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* primarily purchases the District's infrastructure and capital outlay expenditures were \$2,559,650 for the year ended September 30, 2012.

### **Capital Assets and Long-Term Debt Activity**

Capital assets consisted of the following at September 30, 2012:

Land and easements	\$ 624,121
Infrastructure	<u>3,584,852</u>
Subtotal	<u>4,208,973</u>
Accumulated depreciation	<u>(88,074)</u>
Total	<u>\$ 4,120,899</u>

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

Long-term debt consisted of the following at September 30, 2012:

Current portion	\$ 60,000
Long-term portion	<u>5,925,023</u>
Total	<u>\$ 5,985,023</u>

At September 30, 2012, the District owed approximately \$252,000 to the builder for advances used to fund operating activities and approximately \$6.0 million to bond holders. At September 30, 2012, unlimited tax bonds of \$77,920,000 were authorized by the voters of the District, but unissued. 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**

For fiscal year 2013, the tax rate has been set at \$0.90 per \$100 of assessed valuation with \$0.4335 for maintenance and operating expenditures and \$0.4665 for debt service. The adopted budget for fiscal year 2013 projects revenues of approximately \$867,000 and expenditures of approximately \$740,000 for the General Fund.

### **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 at 2001 North Lamar Blvd., Austin, Texas 78705.

# SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENT NOTE 2	STATEMENT OF NET ASSETS
<b>ASSETS:</b>						
Cash	\$ 909,941	526,521	25,462	1,461,924	-	1,461,924
Restricted cash	251,298	-	-	251,298	-	251,298
Temporary investments	13,756	-	-	13,756	-	13,756
Service accounts receivable	73,947	-	-	73,947	-	73,947
Property tax receivable	423	56	-	479	-	479
Interfund receivables	-	2,590	258	2,848	(2,848)	-
Deferred charges-						
Bond issuance costs	-	-	-	-	388,616	388,616
Capital assets (net of accumulated depreciation):						
Land and easements	-	-	-	-	624,121	624,121
Infrastructure	-	-	-	-	3,496,778	3,496,778
Total assets	<u>\$ 1,249,365</u>	<u>529,167</u>	<u>25,720</u>	<u>1,804,252</u>	<u>4,506,667</u>	<u>6,310,919</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 105,296	-	-	105,296	-	105,296
Meter deposits	30,525	-	-	30,525	-	30,525
Interfund payables	2,848	-	-	2,848	(2,848)	-
Deferred revenue	423	56	-	479	(479)	-
Accrued bond interest payable	-	-	-	-	47,005	47,005
Long-term liabilities:						
Due within one year - bonds	-	-	-	-	60,000	60,000
Due after one year - bonds	-	-	-	-	5,925,023	5,925,023
Builder advances	-	-	-	-	251,298	251,298
Total liabilities	<u>139,092</u>	<u>56</u>	<u>-</u>	<u>139,148</u>	<u>6,279,999</u>	<u>6,419,147</u>
<b>FUND BALANCE/ NET ASSETS:</b>						
Fund balances:						
Restricted for:						
Debt service	-	529,111	-	529,111	(529,111)	-
Capital projects	-	-	25,720	25,720	(25,720)	-
Assigned for-						
Builder advances	251,298	-	-	251,298	(251,298)	-
Unassigned	858,975	-	-	858,975	(858,975)	-
Total fund balances	<u>1,110,273</u>	<u>529,111</u>	<u>25,720</u>	<u>1,665,104</u>	<u>(1,665,104)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,249,365</u>	<u>529,167</u>	<u>25,720</u>	<u>1,804,252</u>		
<b>Net assets:</b>						
Invested in capital assets, net of related debt					(1,449,788)	(1,449,788)
Restricted for debt service					482,162	482,162
Unrestricted					859,398	859,398
Total net assets					<u>\$ (108,228)</u>	<u>(108,228)</u>

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

# SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS NOTE 2	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>						
Service operations:						
Water purchases	\$ 491,867	-	-	491,867	-	491,867
Engineering fees	42,761	-	-	42,761	-	42,761
Legal fees	71,753	-	-	71,753	-	71,753
Repairs and maintenance	28,390	-	-	28,390	-	28,390
Management fees	15,150	-	-	15,150	-	15,150
Garbage services	36,073	-	-	36,073	-	36,073
Inspection fees	7,550	-	-	7,550	-	7,550
Tax assessor	6,286	-	-	6,286	-	6,286
Directors' fees	13,646	-	-	13,646	-	13,646
Audit fees	13,500	-	-	13,500	-	13,500
Insurance	4,488	-	-	4,488	-	4,488
Recurring operating	77,192	-	-	77,192	-	77,192
Capital outlay	-	-	2,559,650	2,559,650	(2,559,650)	-
Debt service:						
Bond principal	-	55,000	-	55,000	(55,000)	-
Interest	-	216,052	-	216,052	25,826	241,878
Fiscal agent fees and other	-	-	211,567	211,567	(196,018)	15,549
Depreciation	-	-	-	-	58,023	58,023
Total expenditures/expenses	808,656	271,052	2,771,217	3,850,925	(2,726,819)	1,124,106
<b>REVENUES:</b>						
Program revenues:						
Water service	602,279	-	-	602,279	-	602,279
Tap connection fees	24,000	-	-	24,000	-	24,000
Inspection fees	12,600	-	-	12,600	-	12,600
Total program revenues	638,879	-	-	638,879	-	638,879
Net program expense						(485,227)
General revenues:						
Property taxes, including penalties and interest	298,675	346,250	-	644,925	(1,434)	643,491
Interest on temporary investments	2,091	458	430	2,979	-	2,979
Miscellaneous	17,605	-	-	17,605	-	17,605
Total general revenues	318,371	346,708	430	665,509	(1,434)	664,075
Total revenues	957,250	346,708	430	1,304,388	(1,434)	1,302,954
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers between funds	17,044	-	(17,044)	-	-	-
Proceeds from sale of bonds	-	314,852	2,830,148	3,145,000	(3,145,000)	-
Discount on sale of bonds	-	-	(16,601)	(16,601)	16,601	-
Total other financing sources, net	17,044	314,852	2,796,503	3,128,399	(3,128,399)	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>						
	165,638	390,508	25,716	581,862	(581,862)	-
Change in net assets					178,848	178,848
<b>FUND BALANCES/NET ASSETS:</b>						
Beginning of year	944,635	138,603	4	1,083,242	(1,370,318)	(287,076)
End of year	\$ 1,110,273	529,111	25,720	1,665,104	(1,773,332)	(108,228)

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

**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE -BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>				
Water service	\$ 495,287	673,925	602,279	(71,646)
Tap connection fees	6,000	24,000	24,000	-
Inspection fees	-	-	12,600	12,600
Property taxes, including penalties and interest	663,870	298,000	298,675	675
Interest on temporary investments	1,800	1,800	2,091	291
Miscellaneous	7,200	-	17,605	17,605
Total revenues	1,174,157	997,725	957,250	(40,475)
<b>EXPENDITURES:</b>				
Service operations:				
Water purchases	489,986	505,325	491,867	13,458
Engineering fees	46,500	46,500	42,761	3,739
Legal fees	80,000	80,000	71,753	8,247
Repairs and maintenance	42,000	27,000	28,390	(1,390)
Management fees	15,400	15,000	15,150	(150)
Garbage services	22,800	35,000	36,073	(1,073)
Inspection fees	9,600	8,000	7,550	450
Tax assessor	3,920	6,600	6,286	314
Directors' fees	13,560	15,000	13,646	1,354
Audit fees	10,500	13,500	13,500	-
Insurance	4,000	4,488	4,488	-
Recurring operating	4,200	73,185	77,192	(4,007)
Total expenditures	742,466	829,598	808,656	20,942
<b>OTHER FINANCING SOURCES-</b>				
Transfers between funds	-	-	17,044	17,044
Total other financing sources	-	-	17,044	17,044
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	431,691	168,127	165,638	(2,489)
<b>FUND BALANCE:</b>				
Beginning of year	944,635	944,635	944,635	-
End of year	\$ 1,376,326	1,112,762	1,110,273	(2,489)

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

# **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

South Buda Water Control and Improvement District No. 1 (the "District") was created by the Hays County Commissioners Court on January 25, 2005, in accordance with Article XVI, Section 29 of the Constitution of the State of Texas (the "State") and with Chapter 54 of the Texas Water Code. The Board of Directors (the "Board") held its first meeting July 18, 2005.

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 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 separated columns in the fund financial statements.

#### **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. 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.

### **Assets, Liabilities, and Net Assets or Equity**

Restricted cash - Restricted cash consisted of builder advances that will be repaid through future bond issuance.

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.

Ad Valorem Property Taxes - Property taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. 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.

Encumbrances - Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at September 30, 2012 provided for in the subsequent year's budget.

Capital Assets - Capital assets, which include land and easements and infrastructure, are reported in the government-wide column in the statement of net assets. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems are capitalized. Capital assets are defined by the District as assets with an initial individual cost of at least \$5,000. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets (other than land and easements) are depreciated using the straight line method over the following estimated useful lives: infrastructure - twenty to fifty years.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity - The District complies with 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.



## Recently Issued Accounting Pronouncements

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended June 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended June 30, 2014.

## 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	\$ 1,665,104
Capital assets and deferred charges used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net of accumulated depreciation	4,120,899
Deferred charges - bond issue costs	388,616
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	479
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, net of discount	(5,985,023)
Bond interest payable	(47,005)
Builder advances	(251,298)
Total net assets	<u>\$ (108,228)</u>

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

Excess of revenues and other sources over expenditures and other uses	\$ 581,862
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	2,559,650
Depreciation expense	(58,023)
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	(1,434)
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	55,000
Bond issuance costs	211,567
Bond proceeds, including discount	(3,128,399)
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	(24,169)
Amortization of bond issuance costs	(15,549)
Amortization of original issue discount	(1,657)
Change in net assets	<u>\$ 178,848</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. At September 30, 2012, such 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. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

At September 30, 2012, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), of \$13,756 which has a Standard & Poor's rating of AAAm and a weighted average maturity of one day.

Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These 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 manages daily operations of TexPool under a contract with the Comptroller and serves as 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, 2012, investments were included in a local governmental investment pool with a rating from Standard & Poor's of AAAm which is 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	\$ 2,590
Capital Projects	General	258
Total		<u>\$ 2,848</u>

During the year, the Capital Projects Fund transferred \$17,044 in surplus bond proceeds to the General Fund.

## 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions	Retirements and Transfers	Balance September 30, 2012
Capital assets not being depreciated-				
Land and easements	\$ 408,593	215,528	-	624,121
Capital assets being depreciated-				
Infrastructure	1,240,730	2,344,122	-	3,584,852
Less accumulated depreciation for-				
Infrastructure	(30,051)	(58,023)	-	(88,074)
Total accumulated depreciation	(30,051)	(58,023)	-	(88,074)
Total capital assets being depreciated, net	1,210,679	2,286,099	-	3,496,778
Capital assets, net	\$ 1,619,272	2,501,627	-	4,120,899

## 6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Bonds payable	\$ 2,935,000	3,145,000	(55,000)	6,025,000
Issuance discount on bonds	(25,033)	(16,601)	1,657	(39,977)
Total	\$ 2,909,967	3,128,399	(53,343)	5,985,023

Long-term debt at September 30, 2012, was comprised of the following:

	Balance September 30, 2012	Due in One Year
\$2,935,000, Series 2010, Unlimited Tax Bonds, due in annual installments August 1, 2012 thru 2034. Interest varies from 3.00% to 5.25% and is payable on February 1 and August 1 each year.	\$ 2,880,000	\$ 60,000
\$3,145,000, Series 2011, Unlimited Tax Bonds, due in annual installments August 1, 2014 thru 2041. Interest varies from 3.00% to 5.00% and is payable on February 1 and August 1 each year.	3,145,000	-
	<u>\$ 6,025,000</u>	<u>\$ 60,000</u>

The bonds require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2012.

On January 12, 2012, the District issued \$3,145,000 in Unlimited Tax Bonds to reimburse the District's developers for construction costs, pay interest on funds advanced by the developers on behalf of the District, capitalize approximately twenty-four months of interest on the bonds, and pay administrative costs and certain other costs and engineering fees related to the issuance of the bonds. The net proceeds of \$2,935,572 (after payment of \$211,567 in underwriting fees and other issuance costs) were used for the following: \$2,601,980 was deposited in the Capital Projects Fund to reimburse the District's developers for construction costs, developer interest, and other non-construction costs related to the issuance of the bonds and \$333,592 was deposited in the Debt Service Fund for future interest and principal payments.

At September 30, 2012, unlimited tax bonds of approximately \$77,920,000 were authorized by the District but unissued.

As of September 30, 2012, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2013	\$ 60,000	282,030	342,030
2014	120,000	280,230	400,230
2015	125,000	276,630	401,630
2016	130,000	272,815	402,815
2017	140,000	268,485	408,485
2018-2022	840,000	1,252,858	2,092,858
2023-2027	1,110,000	1,044,686	2,154,686
2028-2032	1,515,000	740,632	2,255,632
2033-2037	1,225,000	344,538	1,569,538
2038-2041	760,000	97,500	857,500
Total	\$ 6,025,000	4,860,404	10,885,404

## 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 Hays Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. 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. The maximum allowable maintenance tax of \$1.00 was established by the voters on September 10, 2005.

In September 2011, the District levied a combined tax rate of \$0.90 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.415 and \$0.485, respectively. The total 2011 tax levy was \$638,665 based on a taxable valuation of \$71,966,559.

## **8. FUND BALANCES**

The District complies with 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.

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 or Board designee 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 has the authority to 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. COMMITMENTS AND CONTINGENT LIABILITIES**

The District has entered into several Cost Share Agreements between the District and the developers for the sharing of construction and engineering expenses related to various projects. The Cost Share Agreements represent the respective pro-rata share of capacity each party shall have in the projects.

## **10. RISK MANAGEMENT**

The District's risk management program includes coverage through third party insurance providers for automobile liability, director and officer liability, public officials position liability and commercial umbrella and general liability. No claims were filed during the previous three years.

**APPENDIX B**

**FORM OF BOND COUNSEL'S OPINION**



**WILLATT & FLICKINGER**  
**ATTORNEYS AT LAW**

2001 NORTH LAMAR • AUSTIN, TEXAS 78705 • (512) 476-6604 • FAX (512) 469-9148

\_\_\_\_\_, 2013

**WE HAVE ACTED** as bond counsel for South Buda Water Control and Improvement District No. 1 (the "District") in connection with the issue of bonds described as follows:

South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013, in the total authorized aggregate principal amount of \$2,055,000, maturing on August 1 in each of the years between 2016 and 2029, both inclusive, with term bonds maturing on August 1 in the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (the "Bonds"). The Bonds bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board authorizing their issuance (the "Order").

**WE HAVE ACTED** as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify and have not investigated or verified any records, data or other material relating to the financial condition or capabilities of the District, and we have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

**IN OUR CAPACITY** as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service as we have deemed relevant. In addition, we have examined executed Bond No. T-1.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the District relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, the Bonds constitute valid and legally binding obligations of the District payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally

available for such purposes) to pay the interest on and the principal of the Bonds.

**THE DISTRICT** reserves the right to issue additional tax bonds and bonds and other obligations payable from other resources including contracts with other persons, including private corporations, municipalities, and political subdivisions.

**IT IS FURTHER OUR OPINION**, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, that (i) the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes and (ii) the Bonds are not “specified private activity bonds” within meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and that, accordingly, interest on the Bonds will not be included in an individual or corporate alternative minimum tax preference item under section 57(a)5 of the Code. We are further of the opinion that the Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds.

Respectfully,

# OFFICIAL STATEMENT DATED NOVEMBER 21, 2013

IN THE OPINION OF BOND COUNSEL, 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.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS."  
SEE "TAX MATTERS-QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

## NEW ISSUE-Book-Entry Only

\$2,055,000

## SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

## UNLIMITED TAX ROAD BONDS, SERIES 2013

**Dated Date: November 15, 2013**

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

**Interest to Accrue from the Date of Initial Delivery**

The bonds described above (the "Bonds") are obligations solely of South Buda Water Control and Improvement District No. 1 (the "District") and are not obligations of the State of Texas ("State"), Hays County, Hays Consolidated Independent School District, the City of Buda (the "City") or any entity other than the District.

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

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA dba Bank of Texas, Austin, Texas, (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of initial delivery and will be payable each August 1 and February 1, commencing August 1, 2014, until maturity or prior redemption. Interest will be payable on the basis of a 360 day year consisting of twelve 30 day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below.

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

## MATURITY SCHEDULE

8/1 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(c)</sup>	8/1 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(c)</sup>
2016	\$ 35,000	2.250%	1.750%	836809CD3	2025 <sup>(b)</sup>	\$ 55,000	4.000%	4.000%	836809CN1
2017	35,000	2.250%	2.000%	836809CE1	2026 <sup>(b)</sup>	55,000	4.150%	4.150%	836809CP6
2018	35,000	2.400%	2.400%	836809CF8	2027 <sup>(b)</sup>	60,000	4.350%	4.350%	836809CQ4
2019	40,000	2.700%	2.700%	836809CG6	2028 <sup>(b)</sup>	60,000	4.550%	4.550%	836809CR2
2020	40,000	3.000%	3.000%	836809CH4	2029 <sup>(b)</sup>	65,000	4.650%	4.650%	836809CS0
2021	40,000	3.200%	3.200%	836809CJ0	2030 <sup>(b)</sup>	70,000	4.800%	4.800%	836809CT8
2022	45,000	3.400%	3.400%	836809CK7	2031 <sup>(b)</sup>	75,000	4.850%	4.850%	836809CU5
2023 <sup>(b)</sup>	45,000	3.600%	3.600%	836809CL5	2032 <sup>(b)</sup>	75,000	4.900%	4.900%	836809CV3
2024 <sup>(b)</sup>	50,000	3.800%	3.800%	836809CM3					

\$165,000 4.900% Term Bonds due August 1, 2034<sup>(b)</sup> at a Price of 99.353% to Yield 4.950%<sup>(a)</sup> - 836809CX9<sup>(c)</sup>

\$185,000 4.900% Term Bonds due August 1, 2036<sup>(b)</sup> at a Price of 98.649% to Yield 5.000%<sup>(a)</sup> - 836809CZ4<sup>(c)</sup>

\$205,000 5.000% Term Bonds due August 1, 2038<sup>(b)</sup> at a Price of 100.000% to Yield 5.000%<sup>(a)</sup> - 836809DB6<sup>(c)</sup>

\$620,000 5.100% Term Bonds due August 1, 2043<sup>(b)</sup> at a Price of 100.000% to Yield 5.100%<sup>(a)</sup> - 836809DG5<sup>(c)</sup>

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (b) The Bonds maturing on and after August 1, 2023, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 1, 2022, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, Term Bonds maturing on August 1 in the years 2034, 2036, 2038 and 2043 are subject to mandatory sinking fund redemption.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Willatt & Flickinger, Austin, Texas, Bond Counsel. Andrews Kurth LLP, Austin, Texas, has been engaged to serve as disclosure counsel for the offering. See "LEGAL MATTERS." Delivery of the Bonds through DTC is expected on December 19, 2013.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

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

## SALE AND DISTRIBUTION OF THE BONDS

**AWARD OF THE BONDS . . .** After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Southwest Securities, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.170% of the par value thereof which resulted in a net effective interest rate of 4.980899% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

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

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

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

**SECURITIES LAWS . . .** No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

*Description* ..... The District was created by order of the Commissioner's Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79<sup>th</sup> Legislature, Chapter 429 ("Chapter 429") and Acts 2005, 79<sup>th</sup> Legislature, Chapter 1323 ("Chapter 1323" and, together with Chapter 429, the "Legislation"), now codified as Chapter 9004, Texas Special District Local Laws Code ("Chapter 9004"). These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These laws were codified by Chapter 9004, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above. See "THE DISTRICT."

*Location* ..... The District contains approximately 409 acres and is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35. See "AERIAL BOUNDARY MAP."

*The Developers* ..... The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract". The Meadows Tract consists of approximately 195 acres and the Len-Buf Tract consists of approximately 214 acres.

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light. See "THE DISTRICT – Status of Development" and "THE DEVELOPERS."

The developer of the Len-Buf Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. As of August 31, 2009, Lennar Corporation has available cash of \$1.34 billion and no outstanding borrowings under the corporation's credit facility. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

*Status of Development* ..... At the time of the District's creation in January 2005, the land within the District was owned by the Meadows at Buda, Ltd. The Len-Buf Tract was annexed into the District on November 2, 2005. Lennar purchased the Len-Buf Tract on March 31, 2006.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

<i>Homebuilders.....</i>	Currently, three homebuilders are active within the District: (i) Lennar, (ii) Homes by Avi, Texas, L.P. ("Avi"), and (iii) Gehan Homes. See "THE DEVELOPER – Homebuilders."
<i>Payment Record.....</i>	The Bonds are the District's third issuance of debt, but its first issuance of debt to be used to pay for road improvements in the District. Approximately eighteen (18) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

#### **THE BONDS**

<i>Description .....</i>	\$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds") are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature as serial Bonds on August 1 in the years 2016 through 2032 and as Term Bonds maturing on August 1 in the years 2034, 2036, 2038 and 2043. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery and will be payable August 1, 2014, and each February 1 and August 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."
<i>Book-Entry-Only.....</i>	DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.
<i>Redemption.....</i>	Bonds maturing on and after August 1, 2023, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 1, 2022, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS-Optional Redemption." Additionally, Term Bonds maturing on August 1 in the years 2034, 2036, 2038 and 2043 are subject to mandatory sinking fund redemption. See "THE BONDS-Mandatory Sinking Fund Redemption."
<i>Use of Proceeds.....</i>	Proceeds of the Bonds will be used to pay for road improvements in the District as well as the costs of issuance on the Bonds.
<i>Authority for Issuance.....</i>	The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvements in the District. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Chapters 49 and 51 of the Texas Water Code, an election held within the District, and the general laws of the State of Texas. See "RISK FACTORS-Future Debt" and "THE BONDS-Authority for Issuance" and "-Issuance of Additional Debt."
<i>Source of Payment.....</i>	The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors 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 and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax. See "THE BONDS-Source of Payment."
<i>Municipal Bond Rating and Insurance .....</i>	No application has been made to any of the rating agencies or municipal bond insurance companies for qualification of the Bonds for ratings or municipal bond insurance, respectively, nor is it anticipated the District would have received an investment grade rating had one been applied for.
<i>QTEO.....</i>	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2013 is not expected to exceed \$10,000,000. See "TAX MATTERS-Qualified Tax-Exempt Obligations for Financial Institutions."
<i>Bond Counsel.....</i>	Willatt & Flickinger, Austin, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
<i>Disclosure Counsel.....</i>	Andrews Kurth LLP, Austin, Texas.

## RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

### SELECTED FINANCIAL INFORMATION (UNAUDITED)

2009 Certified Taxable Assessed Valuation .....	\$ 43,619,527 <sup>(a)</sup>
2010 Certified Taxable Assessed Valuation .....	\$ 58,994,215 <sup>(a)</sup>
2011 Certified Taxable Assessed Valuation .....	\$ 70,725,317 <sup>(a)</sup>
2012 Certified Taxable Assessed Valuation .....	\$ 80,922,123 <sup>(a)</sup>
2013 Certified Taxable Assessed Valuation .....	\$ 100,482,875 <sup>(a)</sup>
Gross Direct Debt Outstanding .....	\$ 8,020,000 <sup>(b)</sup>
Estimated Overlapping Debt .....	7,113,414 <sup>(c)</sup>
Gross Direct Debt and Estimated Overlapping Debt .....	\$ 15,133,414
Ratios of Gross Direct Debt to:	
2013 Certified Taxable Assessed Valuation .....	7.98%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2013 Certified Taxable Assessed Valuation .....	15.06%
Debt Service Funds Available:	
Capitalized Interest (18 months at 5.50%) .....	\$ 169,538 <sup>(d)</sup>
General Operating Fund Balance as of September 30, 2013 .....	\$ 1,224,472
2013 District Debt Service Tax Rate .....	\$ 0.4665
2013 District Maintenance Tax Rate .....	0.4335
2013 Hays County Tax Rate .....	0.4252
2013 Hays ESD #8 .....	0.1000
2013 Hays Consolidated Independent School District Tax Rate .....	1.4613
2013 Total Overlapping Tax Rate .....	\$ 2.8865
Average Annual Debt Service Requirement (2014-2043) .....	\$ 484,431 <sup>(b)</sup>
Maximum Annual Debt Service Requirement (2034) .....	\$ 611,963 <sup>(b)</sup>
Tax Rates Required to Pay Average Annual Debt Service (2014-2043) at a 90% Collection Rate	
Based upon 2013 Certified Taxable Assessed Valuation .....	\$ 0.5357
Tax Rates Required to Pay Maximum Annual Debt Service (2034) at a 90% Collection Rate	
Based upon 2013 Certified Taxable Assessed Valuation .....	\$ 0.6767
Status of Development as of October 1, 2013:	
Homes Completed and Occupied .....	512
Homes Under Construction or Owned by a Home Builder .....	83
Lots Available for Home Construction .....	159
Number of Multi-Family Units Constructed .....	264
Number of Multi-Family Units Occupied .....	250
Developed Acreage .....	218
Undeveloped but Developable Acreage .....	180
Undevelopable acreage .....	11.592
Estimated Population .....	1,539 <sup>(e)</sup>

(a) As provided by the Hays Central Appraisal District (the "Appraisal District" or "HCAD").

(b) Includes the Bonds. See "DEBT SERVICE REQUIREMENTS."

(c) See "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt."

(d) See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(e) Based upon an estimate of 3 persons per occupied single-family residence.



## OFFICIAL STATEMENT

\$2,055,000

### **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1** *(A political subdivision of the State of Texas located within Hays County)*

#### **UNLIMITED TAX ROAD BONDS SERIES 2013**

This Official Statement provides certain information in connection with the issuance by South Buda Water Control and Improvement District No. 1 (the "District") of its \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds").

The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvements in the District. Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Special District Local Laws Code ("Chapter 9004"), Chapters 49 and 51 of the Texas Water Code ("Chapters 49 and 51"), an election held within the District and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

#### **RISK FACTORS**

**GENERAL . . .** The Bonds are obligations solely of the District and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS-Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

#### **FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS**

**Economic Factors and Interest Rates:** A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed and developed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values; and thus increase the rate of taxation in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately one mile southeast of the City of Buda, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the area's metropolitan and regional economies. See "Regional Economics" below.

**National and Regional Economy:** Nationally, and to a certain extent in Texas, there has been a significant downturn in new housing construction caused primarily by the unavailability of mortgage funds, resulting in a decline in housing market values. The District is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35. The District cannot predict what impact, if any, a continued downturn in the national and Texas housing market and financial markets may have on the area market. See "Maximum Impact on District Tax Rates" below.

**Competition:** The demand for and construction of single-family homes in the District could be affected by competition from other residential developments in western Hays County, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developers 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 additional building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

**MAXIMUM IMPACT ON DISTRICT TAX RATES . . .** Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2013 Certified Taxable Assessed Valuation is \$100,482,875. After issuance of the Bonds, the maximum debt service requirement will be \$611,963 (2034), and the average annual debt service requirement will be \$484,431 (2014-2043, inclusive). Assuming no increase or decrease from the 2013 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.6767 and \$0.5357 per \$100 appraised valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners.

**DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPERS . . .** The ten principal taxpayers represent \$24,399,578 or 24.28% of the District's 2013 Certified Taxable Assessed Valuation of \$100,482,875. The District's homebuilders represent \$5,448,918 or 5.41% of such value. If the Developers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA-Principal Taxpayers," and "TAXING PROCEDURES-Levy and Collection of Taxes."

The Developers have informed the Board that their current plan is to continue marketing the remaining developed lots in the District to home builders. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

**UNDEVELOPED ACREAGE . . .** Approximately 218 acres within the District have been developed and provided with water, wastewater and storm drainage and detention facilities, and 180 acres remain undeveloped. Single-family residential lots are planned for 110 acres of the undeveloped acreage and 69.24 acres is planned for commercial use. However, as described above, the District cannot guarantee or make any representation regarding the certainty of any such plans.

**DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . .** As of October 1, 2013, approximately 83 developed lots owned by the homebuilders and developers within the District remain available for home construction. Failure of the Developer or homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported debt of the District. Future increases in value will result primarily from the construction of homes by builders. See "Maximum Impact on District Tax Rates" above.

**TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . .** The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt" and "-Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against

such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**REGISTERED OWNERS' REMEDIES . . .** Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Order are limited. Although state law and the Bond Order provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. State law and the Bond Order do not provide for acceleration of maturity of the Bonds. Additionally, the Bond Order does not appoint a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property.

Further, the Registered Owners themselves cannot 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 rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally or by a State statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners' Rights" below.

**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. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 Registered Owners 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.

A district may not be forced into bankruptcy involuntarily.

**FUTURE DEBT . . .** The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, and refunding bonds and notes and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$12,000,000, which is expected to be financed with future bond issues. A total of \$78,000,000 principal amount of water, wastewater and drainage funds and \$6,000,000 for road improvements has been authorized by the District's voters. After the issuance of the Bonds, \$71,920,000 of water, wastewater and drainage funds as well as \$3,945,000 for road improvements will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The issuance of certain types of additional bonds and obligations for water, wastewater and drainage facilities are subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District anticipates that it may issue the full principal amount of unissued bonds authorized for water, wastewater and drainage purposes (\$71,920,000) in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District has agreed to limit the amount of similarly secured bonds which it may issue based on the following formula: the assessed value of all taxable property within the District, as shown by the latest appraisal roll issued for the District by the Hays Central Appraisal District, together with the projected increase in the assessed value that is allowed by the rules of the TCEQ, is such that the debt service on the District's outstanding Bonds, and the Bonds then being issued, can be paid with a tax rate of \$0.90 per \$100 of assessed valuation. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS-Issuance of Additional Debt."

**UTILITY OPERATIONS . . .** The District receives potable water from the portion of the District located west of IH 35 from Monarch Utilities I, L.P. ("Monarch") pursuant to a 50 year wholesale water supply contract dated October 25, 2005 between the District and Monarch. The contract with Monarch provides for water in an amount sufficient to serve up to 984 living-unit-equivalents ("LUEs"). The District also receives water for a portion of the District located east of IH 35 from Goforth Water

Supply Corporation ("Goforth") pursuant to a water supply contract dated April 7, 2006. The contract with Goforth reserves 880 LUEs of capacity with Goforth's system for the District.

The District receives wastewater treatment service from the City of Buda (the "City") based on terms of the Consent and Development Agreement (the "Development Agreement") dated November 2, 2005 and as amended on February 27, 2006 and February 28, 2006. Pursuant to the Development Agreement, the City agrees to provide wastewater treatment service for the ultimate build-out of the District which is anticipated to be 1,694 LUEs. The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development. The City's existing wastewater discharge permit is for a 0.95 million gallons per day ("MGD") wastewater treatment plant with scheduled expansion which will bring the capacity up to 1.5 MGD.

**ENVIRONMENTAL REGULATIONS . . .** 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:

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, waste water treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to districts. 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, 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 nearnonattainment 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 be 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 1, 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.

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

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by 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 Districts' ability to obtain TPDES permits and maintain those permits. Districts 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 is also potentially subject to requirements and restrictions under the Clear 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.

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

**OVERLAPPING AND COMBINED TAX RATES . . .** The tax rate projections for the District reflects a composite tax rate including the District's debt service and/or maintenance taxes, not to exceed \$2.8865 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Hays County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the District are consistent with the rules of the TCEQ. If the total combined tax rate of the District should ever exceed \$1.20, the District could be prohibited under rules of the TCEQ from selling additional bonds.

The District intends to issue additional debt which may change the projected and actual tax rates in the future, which changes may adversely affect future growth and which could affect the ability of the District to issue future debt.

**EFFECTS OF PLANNED COMMUNITY . . .** The Developers have represented that they intend to sell developed lots to homebuilders. See "THE DISTRICT" and "THE DEVELOPERS." However, the Developers have no legal obligation to the District to carry out its current plans or any other plans of development within the District. Furthermore, there is no restriction on the Developers or other landowners selling their land. The District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See "Factors Affecting Taxable Values and Tax Payments" above. Neither the Developers nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See "THE DEVELOPERS." Furthermore, the Developers have no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment.

**NO REQUIREMENT TO BUILD ON DEVELOPED LOTS . . .** There is currently no requirement that individuals or other purchasers of developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

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

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS-Tax Exemption."

**GOVERNMENTAL APPROVAL . . .** The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project nor the feasibility of the District, will be reviewed, considered or approved by the TCEQ.

**DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . .** As reflected in "THE DISTRICT- History and Status of Development" herein, the housing product completed and currently planned for portions of the District consists of single family homes with anticipated prices ranging from \$150,000 up to \$200,000.

**HOUSING MARKET VOLATILITY . . .** In recent months, increased disruption in the housing market and related volatility in the financial markets has lead to a significant number of foreclosures on single family homes.

Since January 1, 2012 there have been 11 posted foreclosures of single family homes in the District.

The District can neither predict future conditions in the housing or financial markets nor provide any prediction as to the likelihood or number of home foreclosures within the District.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **THE BONDS**

**DESCRIPTION . . .** The Bonds will be dated November 15, 2013, with interest to accrue from the date of initial delivery, be payable each August 1 and February 1, beginning August 1, 2014 (each an "Interest Payment Date"), and will mature on the dates and in the amounts shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 of principal amount or any integral multiple of \$5,000.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and accrued interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), New York, New York, 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.

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 & 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](http://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 Initial Purchasers take any responsibility for the accuracy thereof.



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

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 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 ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**SOURCE OF PAYMENT . . .** The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors 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 and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax

The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, the City of Buda, Hays Consolidated Independent School District, or any entity other than the District.

**FUNDS . . .** The Bond Order creates or confirms the establishment and maintenance by the District of a Debt Service Fund and a Construction Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the holders of the Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

**DEBT SERVICE FUND . . .** The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on the Bonds and Paying Agent fees in respect to 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 initial purchaser, the amount received from proceeds of the Bonds representing accrued interest and capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect 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 or the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent/Registrar when due.

**CONSTRUCTION FUND . . .** The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Construction Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund or as otherwise authorized by the TCEQ.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2023, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 1, 2022, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).



**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing August 1 in the years 2034, 2036, 2038 and 2043 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

Term Bonds Due August 1, 2034		Term Bonds Due August 1, 2036	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 1, 2033	\$ 80,000	August 1, 2035	\$ 90,000
August 1, 2034*	85,000	August 1, 2036*	95,000

Term Bonds Due August 1, 2038		Term Bonds Due August 1, 2043	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 1, 2037	\$ 100,000	August 1, 2039	\$ 110,000
August 1, 2038*	105,000	August 1, 2040	115,000
		August 1, 2041	125,000
		August 1, 2042	130,000
		August 1, 2043*	140,000

\*Stated Maturity.

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

**NOTICE OF REDEMPTION . . .** NOT LESS THAN 30 DAYS PRIOR TO A REDEMPTION DATE FOR THE BONDS, THE PAYING AGENT/REGISTRAR SHALL CAUSE A NOTICE OF REDEMPTION TO BE SENT BY UNITED STATES MAIL, FIRST CLASS, POSTAGE PREPAID, TO THE REGISTERED OWNERS OF THE BONDS TO BE REDEEMED, IN WHOLE OR IN PART, AT THE ADDRESS OF THE REGISTERED OWNER APPEARING ON THE REGISTRATION BOOKS OF THE PAYING AGENT/REGISTRAR. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar 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, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bond to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bond or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bond for redemption (see “THE BONDS-Book-Entry-Only System”).

**AUTHORITY FOR ISSUANCE . . .** The Bonds are the first series of bonds issued at an aggregate of six million dollars (\$6,000,000) principal amount of unlimited tax bonds authorized by the District voters to pay for road improvement in the Districts. Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapter 9004, Chapters 49 and 51, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas

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

**REGISTRATION AND TRANSFER . . .** So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

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

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

The District or the Paying Agent/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 Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

**LOST, STOLEN OR DESTROYED BONDS . . .** In the event the book-entry-only system should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/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 and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**ISSUANCE OF ADDITIONAL DEBT . . .** The District may issue additional ad valorem tax bonds and long-term revenue bonds and notes, with the approval of the TCEQ, necessary to provide water, wastewater and drainage facilities consistent with the purposes for which the District was created. See "THE DISTRICT-General." The District's voters have authorized the issuance of \$78,000,000 principal amount of new money bonds for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. The District voters also authorized the issuance of \$6,000,000 principal amount of new money bonds for the purpose of road improvements. The issuance of additional bonds to refund or redeem the District's bonds is also authorized. After the issuance of the Bonds, \$71,920,000 of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a water, wastewater and drainage system as well as \$3,945,000 to fund road improvements in the District.

The Bond Order imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

According to the Developers, following the issuance of the Bonds, the District will remain obligated to reimburse the Developers \$12,000,000 for the facilities serving the existing development within the District. The District expects to submit bond applications to the TCEQ for the sale of additional bonds to satisfy its obligation to pay the Developers for such facilities. The District intends to issue such bonds in approximately annual installments, subject to the pace of development and timely TCEQ approval. See "RISK FACTORS-Future Debt."

**Fire-fighting activities.** The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for firefighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

**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 utility 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 lies within the extraterritorial jurisdiction of the City of Buda, Texas. Under Texas law, the City of Buda can annex territory within the district but Section 9 of the Consent and Development Agreement restricts the City as to when it can annex territory. At such time as it is permissible pursuant to law for the District to be annexed, and if the City of Buda did annex the District, the City of Buda would be required to assume the District's assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Buda is a policy-making matter within the discretion of the Mayor and City Council of the City of Buda and therefore, the District makes no representation that the City of Buda will ever annex the District and assume its debt.

**ALTERATION OF BOUNDARIES . . .** In certain circumstances, under Texas law the District may alter its boundaries to: (i) annex additional territory upon satisfying certain conditions; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the simultaneous annexation by the District of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District would affect any change in its boundaries.

**BONDHOLDERS' REMEDIES . . .** The Bond Order provides that, in addition to all other rights and remedies of any registered owner provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Bond Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Bond Order. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Bond Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. "RISK FACTORS-Registered Owners' Remedies."

The District is also 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 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 Bond holders 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 Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See "RISK FACTORS-Bankruptcy Limitation to Registered Owners' Rights."

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The registered owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds.

**LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, school districts and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to

adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

**DEFEASANCE . . .** The Bond Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue such Bonds to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with 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 Texas law.

#### **CERTAIN AGREEMENTS BETWEEN THE DISTRICT, THE DEVELOPERS, THE CITY OF BUDA, THE GWSC AND THE MONARCH UTILITIES I, L.P.**

The District is located entirely within the extraterritorial jurisdiction of the City of Buda (the "City").

On April 9, 2004, the City and Gunn & Whittington Development II, L.L.C. ("G&W") entered into an Agreement Concerning Creation and Operation of South Buda Water Control and Improvement District No. 1 (the "G&W Agreement"), as amended by a first amendment dated October 19, 2004 (the "First Amendment") and a second amendment also dated October 19, 2004 (the "Second Amendment" and, together with the G&W Agreement and the First Amendment, the "Previous Agreement"). Pursuant to the Second Amendment, G&W assigned all its right, title and interest in the Previous Agreement to The Meadows at Buda, Ltd, a Texas limited partnership (the "Meadows").

The Previous Agreement was restated and replaced by a Consent and Development Agreement effective as of November 2, 2005 (the "Development Agreement"), by and among the City, the District, Meadows, Lennar Buffington Horton, L.P., a Texas limited partnership ("Len-Buf") and NewStand Buda, Ltd., a Texas limited partnership ("NewStand" and, together with Meadows and Len-Buf, the "Developers").

Pursuant to the Development Agreement, the City consented to (i) the purposes of the District being the acquisition, construction and improvement of water, wastewater, drainage, fire protection, park and road facilities, (ii) the District's the issuance of bonds, (iii) the levy of taxes by the District, and (iv) the annexation of certain property. Additionally, under the Development Agreement, the City and the District agreed to enter into a Strategic Partnership Agreement to define the terms and condition of

annexation of property in the District by the City and the relationship between the City and the District, including matters related to the issuance of debt by the District, and the collection of sales and use tax by the City.

The Development Agreement obligates the City to provide continuous and adequate retail wastewater service to customers within the boundaries of the Meadows Tract and the Len-Buf Tract subject to the construction of certain facilities and conditions of the agreement, and the District is obligated to install all wastewater lines and facilities within the District necessary to provide wastewater service within the District. Such wastewater lines and facilities will be maintained by the City in accordance with the terms of the agreement within 30 days of completion, inspection and final acceptance and will be dedicated to the City pending developer reimbursement. The Development Agreement also recognizes the District's intention to reimburse the Developers for funding or constructing facilities from bond proceeds.

In the Development Agreement, the City agrees that the District can issue bonds and notes for any lawful purpose. Further, the parties acknowledge that by execution of the Development Agreement, the District has contracted with the City and that the City will assume the ownership, operation, and maintenance of the wastewater system financed by the District and that the Developers are entitled to reimbursement of any funds advanced on behalf of the District to the extent permitted by the agreement and by the law and rules of the TCEQ. The Development Agreement provides that the obligations of District thereunder may be performed on behalf of the District by a Developer. The Development Agreement is scheduled to terminate on April 11, 2046.

The District has entered into the following agreements (collectively, the "Reimbursement Agreements") with one or more of the Developers relating to financing and construction of certain water, sanitary sewer, water quality and drainage improvements and park and road improvements:

1. Utility Construction Agreement between the District and Meadows at Buda, Ltd.
2. Utility Construction Agreement between the District and NewStand Buda/NewMark Homes/ Standard Pacific of Texas.
3. Utility Construction Agreement between the District and Len-Buf Land Acquisitions of Texas, L.P., and the Meadows at Buda, Ltd.
4. Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
5. First Amendment to Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
6. Construction and Reimbursement Agreement between the District and the Meadows at Buda Commercial, Ltd.
7. Agreement on Bond Reimbursement for Impact Fees and LUE Fees paid by AOH-Vantage at Buda by and between the District, the Meadows at Buda Commercial, Ltd. and AOH-Vantage at Buda, L.L.C.

Pursuant to the Reimbursement Agreements, the Developers have agreed to advance all of the District's share of the costs incurred in connection with the construction of such water, sanitary sewer, water quality and drainage improvements and park and road improvements, and the District has agreed to reimburse the Developers for such costs from the proceeds of bonds issued by the District from time to time. See "RISK FACTORS-Future Debt" and "THE BONDS-Issuance of Additional Debt."

Pursuant to a Non-Standard Water Service Agreement by and between Goforth Water Supply Corporation ("GWSC") and the District dated April 11, 2006 (the "GWSC Agreement"), GWSC agrees to reserve capacity for, and provide retail water service in a quantity not to exceed 680 living unit equivalents ("LUEs"). In addition, the District is obligated to obtain from GWSC an additional 200 LEUs of service commitment. The District has agreed to pay GWSC a monthly reservation fee for the first 680 LUEs of reserved capacity in an amount sufficient to pay all fixed costs owed by GWSC to Guadalupe-Blanco River Authority. Pursuant to the GWSC Agreement, GWSC has agreed to acquire the water distribution facilities from the District. Further, the GWSC Agreement provides that GWSC will own, operate and maintain the water supply and internal water distribution system for the Len-Buf Tract.

The District has entered into a Water Services Agreement with Monarch Utilities I, L.P., a Texas Limited Partnership ("Monarch") dated October 25, 2005 (the "Monarch Agreement"). Pursuant to the 50-year Monarch Agreement for water supply, the District will pay LUE fees to contribute to the cost of Monarch's existing and future facilities necessary to provide service to the District. The District agrees to construct a water distribution system sufficient to serve the property west of IH 35. Upon request from Monarch, the District will pass water through the District system to provide retail service to the property west of IH 35. Monarch will provide water to the District, on a wholesale basis sufficient to meet the annual needs of the District but in no event more than 984 LUEs including 66 LUEs for service to several out-of-district commercial properties. Monarch will charge the District a rate of \$1,605 per LUE.

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## USE AND DISTRIBUTION OF BOND PROCEEDS

### I. CONSTRUCTION COSTS

	<u>District's Share</u>
A. CR 132 Realignment	
1. Road Improvements .....	\$ 1,001,188
2. Change Orders 1-16 .....	245,579
Total Developer Contribution Items .....	\$ 1,246,767
Engineering .....	\$ 296,445
<b>Total Construction Costs (75.10% of BIR) .....</b>	<b>\$ 1,543,212</b>

### II. NON-CONSTRUCTION COSTS

A. Legal Fees (1.5%) .....	\$ 30,825
B. Fiscal Agent Fees (1.75%) .....	35,963
C. Capitalized Interest (18 Months at 4.98%) .....	153,536
D. Bond Discount (2.83%) .....	58,157
E. Developer Interest .....	200,344
F. Cost of Issuance .....	24,881
G. Attorney General Fee (0.1%) .....	2,055
H. Contingency .....	19,495
<b>Total Non-Construction Costs .....</b>	<b>\$ 525,256</b>

**TOTAL BOND ISSUE REQUIREMENT .....** \$ 2,055,000

### THE DISTRICT

**GENERAL** . . . The District was created by order of the Commissioner's Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79<sup>th</sup> Legislature, Chapters 429 and 1323. These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These laws were codified by Chapter 9004, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above.

The District is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35.

The District is empowered, among other things, to construct road improvements and 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 is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District, including the District's issuance of bonds for water, wastewater and drainage facilities. The City of Buda has no jurisdiction regarding issuance of the District's bonds. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "WATER, SANITARY SEWER AND DRAINAGE FACILITIES-Regulation."

**VALIDATION SUIT** . . . In Cause No. D-1-GN-07-000914, styled *Ex Parte South Buda Water Control and Improvement District No. 1*, on April 23, 2007, the District Court of Travis County, Texas entered a final judgment (the "Final Judgment") in a validation suit establishing that the District has all of the rights, powers, privileges, authority, functions, and duties provided by the general law of this state, including Chapter 441, Transportation Code, applicable to road utility districts created under the authority of Article 3, Section 52, Texas Constitution, and, in that capacity, the District has the authority to issue bonds to reimburse the cost of relocating part of County Road 132 in Hays County, Texas.

The Final Judgment provides:

The District may have written on the bonds that it proposes to issue the following certificate:

This obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; Ex Parte South Buda Water Control and Improvement District No. 1; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation.

**LAND USE** . . . The following table has been provided by the District's Engineer and represents the current and planned land use within the District.

<u>Land Use</u>	<u>Approximate Acres</u>	<u>Lots</u>
Single-Family Residential.....	203.....	643
Multi-Family.....	16.....	1 *
Undeveloped Residential.....	110.....	460
Undeveloped Commercial .....	69	
Undevelopable.....	11	
Total.....	409	

\* Contains 264 Units.

**STATUS OF DEVELOPMENT** . . . The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract".

***The Meadows Tract:*** The Meadows Tract consists of approximately 127 acres of land within the District that is being developed by NewStand for residential use, 16 acres of land within the District for an apartment complex and 43.3 acres of land within the District for commercial use which is being developed by MBC Development. Upon completion of development, the residential portion of the Meadows Tract is expected to contain approximately 510 single family lots. To date, 389 single family lots have been developed in the residential portion of the Meadows Tract.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

***The Len-Buf Tract:*** The Len-Buf Tract consists of approximately 214 acres of land within the District, of which 185.3 acres is being developed by Lennar as the Stonefield project, a master planned community comprised of approximately 698 single family lots and 25.9 developable commercial acres located on Interstate 35.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots, and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

**FUTURE DEVELOPMENT** . . . The District is currently planned as a primarily single-family residential development. Approximately 110 developable acres of land in the District planned for single-family residential use and 69.24 developable acres of land in the District planned for commercial use are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities. While the Developers anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed.

The District anticipates issuing additional bonds to accomplish full development of the District. The Engineer has stated that under current development plans, the remaining authorized but unissued new money bonds authorized for the acquisition and construction of water, wastewater and storm drainage facilities (\$71,920,000) is expected to be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District's water, wastewater and storm drainage system for full development of the District and to reimburse the Developers for funds previously advanced to complete such facilities. See "RISK FACTORS—Factors Affecting Taxable Values and Tax Payments", "—Future Debt" and "THE SYSTEM."

## THE DEVELOPERS

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

**THE DEVELOPERS . . .** The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Len-Buf Tract".

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partner is Michael D. Garringer, Grant E. Gist and Robert S. Light and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer, Grant E. Gist and Robert S. Light.

NewStand and MBC Development are controlled by Robert S. Light, Michael D. Garringer and Grant E. Gist.

The developer of the Len-Buf Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. As of August 31, 2009, Lennar Corporation has available cash of \$1.34 billion and no outstanding borrowings under the corporation's credit facility. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Lennar's Austin Division has been involved in the development of several communities either as an individual owner or in a partnership capacity. Communities in Austin, Texas and the immediate surrounding areas include Amberwood, Barker Ranch, Bell Farms, Bradshaw Crossing, Bridges at Bear Creek, Chandler Creek, Circle C, Colorado Crossing, Crossing at Onion Creek, Legends of Hutto, Mayfield Ranch - Parkside, Red Oaks, Ridgewood, Silver Leaf, Southpark Meadows (Residential), Stonewall Ranch, and Villages of Hidden Lake.

NewStand, MBC Development and Lennar are referred to herein, collectively, as the "Developers".

**DEVELOPMENT HISTORY . . .** At the time of the District's creation in January 2005, the land within the District was owned by the Meadows at Buda, Ltd. The Len-Buf Tract was annexed into the District on November 2, 2005. Lennar purchased the Len-Buf Tract on March 31, 2006.

As of October 1, 2013 the Len-Buf Tract contained 107.735 developed acres comprising 359 single family residential lots. A total of 228 homes were completed and occupied, 33 homes were under construction or owned by a homebuilder and 95 lots were available for construction. As of such date, there were approximately 80.262 acres of undeveloped but developable land planned for 339 single-family residential lots and 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Len-Buf Tract range in price from approximately \$150,000 to over \$200,000.

As of October 1, 2013, the Meadows Tract contained approximately 111 developed acres comprising 389 residential lots on 95 acres and an apartment complex on 16 acres. A total of 284 homes were completed and occupied, 50 homes were under construction or owned by a homebuilder and 64 lots were available for construction. As of such date, there were approximately 30 acres of undeveloped but developable land planned for 121 single-family residential lots, and 43.3 acres of undeveloped but developable land planned for commercial use, as well as 11.592 acres of undevelopable land. Homes within the Meadows Tract range in price from \$150,000 to \$250,000.

**DEVELOPMENT FINANCING . . .** The Len-Buf Tract: Lennar has financed its development of the Len-Buf Tract through the use of its own corporate funds.

The Meadows Tract: On October 27, 2005, NewStand entered into a Development Loan Agreement with Texas State Bank for a revolving line of credit in the amount of \$9,000,000 (the "TSB Loan") to finance the development of the residential portions of the Meadows Tract. The TSB Loan was decreased to \$7,500,000 pursuant to the Modification Agreement dated October 27, 2007 (the "Modification Agreement"). On December 31, 2008, NewStand entered into a Modification, Renewal and Extension Agreement with Compass Bank, as successor to Texas State Bank (the "Compass Loan"). On February 24, 2010, Compass Bank assigned its rights to the Compass Loan to Robert S. Light. The loan has an outstanding balance of approximately \$2,595,000 and matures on February 23, 2015.



MBC Development financed the development of the commercial portions of the Meadows Tract with a \$6,700,000 loan from American Bank of Commerce dated February 24, 2006 (the "ABC Loan"). The ABC Loan was modified in January 2012. The ABC loan matures on January 30, 2017 and has a current balance of \$1,953,814.

**HOMEBUILDERS** . . . Currently, three homebuilders are active within the District: (i) Lennar, (ii) Homes by Avi, Texas, L.P. ("Avi"), and (iii) Gehan Homes. For information on Lennar see "THE DEVELOPERS" above.

## MANAGEMENT OF THE DISTRICT

**BOARD OF DIRECTORS** . . . The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the third Saturday of May in even numbered years only. None of the Board members reside within the District; however, each member owns a small parcel of land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin B. Morgan	President	May, 2016
Sean M. Denton	Vice President	May, 2016
Eric Nelsen	Secretary	May, 2016
John Fowler	Assistant Secretary	May, 2014
Joe Priesnitz	Assistant Secretary	May, 2014

**DISTRICT CONSULTANTS** . . . The District does not have any full-time employees, but contracts for certain necessary services as described below.

**Tax Appraisal:** The Hays Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

**Tax Assessor/Collector:** The District contracts with the Hays County Tax Assessor/Collector (the "Tax Assessor/Collector") to serve in this capacity.

**Operator:** AWR Services operates, maintains and manages the provision of retail water service in the portion of the District west of IH 35. Goforth WSC provides retail water service in the territory east of IH 35. Retail wastewater service is provided within the District by the City of Buda.

**Engineer:** The District's consulting engineer is Gray Engineering, Inc.

**Bookkeeper:** The District has contracted with Tri-South Construction, Inc. for bookkeeping services.

**Auditor:** The District's financial statements for the year ended September 30, 2012, were audited by Maxwell Locke & Ritter, LLP, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited September 30, 2012 financial statements.

**Bond Counsel/Attorney:** The District has engaged Willatt & Flickinger as Bond Counsel in connection with the issuance of the District's debt obligations. Bond Counsel fees are contingent upon the sale and delivery of the Bonds.

**Financial Advisor:** Specialized Public Finance Inc. serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

**General Counsel:** The District has engaged Willatt & Flickinger as general counsel to the District. Compensation to the firm for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Compensation for other legal services to the District is based on time charges actually incurred.

**Disclosure Counsel:** Andrews Kurth LLP has been engaged as Disclosure Counsel in connection with the issuance of the Bonds. The fees of the attorneys in their capacity as Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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## **WATER, SANITARY SEWER AND DRAINAGE FACILITIES**

**REGULATION . . .** Construction and operation of the water, sanitary sewer and storm drainage system serving the District as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Hays County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

**WATER SUPPLY AND DISTRIBUTION . . .** The District receives potable water for the portion of the District located west of IH 35 from Monarch Utilities I, L.P. ("Monarch") pursuant to a 50 year wholesale water supply contract dated October 25, 2005 between the District and Monarch. The contract with Monarch provides for water in an amount sufficient to serve up to 984 living-unit-equivalents ("LUEs"). The District also receives water for a portion of the District located east of IH 35 from Goforth Water Supply Corporation ("Goforth") pursuant to a water supply contract dated April 7, 2006. The contract with Goforth reserves 880 LUEs of capacity with Goforth's system for the District.

Monarch's system which supplies water to the District consists of 0.25 million gallons ("MG") elevated storage, 0.217 MG ground storage, 2 vertical turbine pumps with 1,600 gallons per minute ("gpm") capacity, 2 ground water supply wells with a combined capacity of 400 gpm and one 350 gpm wholesale connection.

Goforth has reserved capacity of 275 acre feet per year (680 LUEs) for the District through an agreement with the Guadalupe Blanco River Authority. The District will require and obtain from Goforth an additional capacity of 200 LUEs upon payment of additional reservation fees for such capacity and any associated capital costs. The Goforth system facilities consist of 5 wells with a combined capacity of 3,600 gpm, 8 booster pumps with a combined capacity of 7,200 gpm, ground storage tanks with a combined capacity of 889,772 gallons, elevated storage tanks with a combined capacity of 2,068,000 gallons and a 10,000 gallon pressure tank.

The western portion of the District has 2 metered interconnects with Monarch as water enters and exits the District. An additional unmetered emergency connection exists but the valve remains closed.

The District's water supply is capable of serving 1,864 equivalent sing-family connections ("ESFCs") which is sufficient to serve the 248 ESFCs necessary to support the bond issue.

**WASTEWATER COLLECTION AND TREATMENT . . .** The District receives wastewater treatment service from the City of Buda (the "City") based on terms of the Consent and Development Agreement (the "Development Agreement") dated November 2, 2005 and as amended on November 2, 2005. Pursuant to the Development Agreement, the City agrees to provide wastewater treatment service for the ultimate build-out of the District which is anticipated to be 1,694 LUEs. The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development. The City's existing wastewater discharge permit is for a 0.95 million gallons per day ("MGD") wastewater treatment plant with scheduled expansion which will bring the capacity up to 1.5 MGD.

The District's wastewater is collected through 8-inch and 12-inch collection lines and is then conveyed via the City operated 650 gpm Phase I Lift Station and Force Main to the City's wastewater collection system and treatment plant.

The District's wastewater capacity of 984 ESFCs is sufficient to serve the 248 ESFCs necessary to support the feasibility of this bond issue.

**STORM DRAINAGE FACILITIES . . .** The Meadows at Buda, on the west side of IH 35, generally drains in an easterly direction towards Porter Creek. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The detention pond designed and constructed with The Meadows at Buda Phases 1 and 2 improvements discharges into Porter Creek. Runoff in Stonefield, on the east side of IH 35, drains in all directions from a highpoint located in the northeastern quadrant of the site. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The discharge from the existing Stonefield Phase One pond is conveyed under CR 133 to a roadside channel along IH 35 via four existing 48-inch RCPs.

Drainage in the District is controlled through a combination of storm sewers under streets with curbs and gutters which outfalls into detention ponds. The stormwater from The Meadows at Buda, Sections 1 and 2 flows through the detention facility before exiting the District in an easterly direction. The stormwater in Stonefield Section One flows through a detention facility and exits the District in a southerly direction.

**100-YEAR FLOOD PLAIN . . .** The Flood Insurance Rate Map associated with the District indicates that a portion of the land in the District is located within the 100-year flood plain. See "THE DISTRICT-Land Use." The Developer does not plan to develop any portion of the District that is within the floodplain.

# **DEBT SERVICE REQUIREMENTS**

The following sets forth the debt service on the Bonds at a net interest cost of 4.98%.

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds			Total Debt
	Principal	Interest	Total	Principal	Interest	Total	
2014	\$ 120,000	\$ 280,230	\$ 400,230	\$ -	\$ 57,697	\$ 57,697	\$ 457,927
2015	125,000	276,630	401,630	-	93,563	93,563	495,193
2016	130,000	272,815	402,815	35,000	93,563	128,563	531,378
2017	140,000	268,485	408,485	35,000	92,775	127,775	536,260
2018	150,000	263,435	413,435	35,000	91,988	126,988	540,423
2019	160,000	257,598	417,598	40,000	91,148	131,148	548,745
2020	165,000	251,108	416,108	40,000	90,068	130,068	546,175
2021	175,000	244,153	419,153	40,000	88,868	128,868	548,020
2022	190,000	236,565	426,565	45,000	87,588	132,588	559,153
2023	195,000	228,175	423,175	45,000	86,058	131,058	554,233
2024	210,000	219,365	429,365	50,000	84,438	134,438	563,803
2025	220,000	209,665	429,665	55,000	82,538	137,538	567,203
2026	235,000	199,350	434,350	55,000	80,338	135,338	569,688
2027	250,000	188,131	438,131	60,000	78,055	138,055	576,186
2028	265,000	176,069	441,069	60,000	75,445	135,445	576,514
2029	285,000	163,081	448,081	65,000	72,715	137,715	585,796
2030	300,000	149,106	449,106	70,000	69,693	139,693	588,799
2031	320,000	134,163	454,163	75,000	66,333	141,333	595,495
2032	345,000	118,213	463,213	75,000	62,695	137,695	600,908
2033	360,000	100,425	460,425	80,000	59,020	139,020	599,445
2034	390,000	81,863	471,863	85,000	55,100	140,100	611,963
2035	150,000	61,750	211,750	90,000	50,935	140,935	352,685
2036	160,000	54,250	214,250	95,000	46,525	141,525	355,775
2037	165,000	46,250	211,250	100,000	41,870	141,870	353,120
2038	175,000	38,000	213,000	105,000	36,870	141,870	354,870
2039	185,000	29,250	214,250	110,000	31,620	141,620	355,870
2040	195,000	20,000	215,000	115,000	26,010	141,010	356,010
2041	205,000	10,250	215,250	125,000	20,145	145,145	360,395
2042	-	-	-	130,000	13,770	143,770	143,770
2043	-	-	-	140,000	7,140	147,140	147,140
	<u>\$ 5,965,000</u>	<u>\$ 4,578,373</u>	<u>\$ 10,543,373</u>	<u>\$ 2,055,000</u>	<u>\$ 1,934,564</u>	<u>\$ 3,989,564</u>	<u>\$ 14,532,937</u>

Average Annual Debt Service Requirements (2014-2043) .....\$ 484,431  
Maximum Annual Debt Service Requirement (2034).....\$ 611,963

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**ESTIMATED OVERLAPPING DEBT . . .** The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Ad valorem debt figures listed herein are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas.

Certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Hays County .....	\$ 275,980,000	10/1/13	0.63%	\$ 1,738,674
Hays Consolidated Independent School District. ....	281,400,000	10/1/13	1.91%	<u>5,374,740</u>
Total Estimated Overlapping Debt .....				\$ 7,113,414
The District's Total Direct Debt <sup>(a)</sup> .....				<u>8,020,000</u>
Total Direct and Estimated Overlapping Debt .....				\$ 15,133,414

Direct and Estimated Overlapping Debt as a Percentage of:  
2013 Certified Taxable Assessed Valuation<sup>(b)</sup> ..... 15.06%

(a) Includes the Bonds.

(b) As certified by the Hays Central Appraisal District (the "Appraisal District" or "HCAD").

**OVERLAPPING TAXES . . .** Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property.

The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of other taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. See "DEBT SERVICE REQUIREMENTS-Estimated Overlapping Debt."

Set forth below are all of the taxes levied for the 2013 tax year by all taxing jurisdictions that overlap the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2013 Tax Rate Per \$100 Assessed Valuation</u>
Hays County .....	\$ 0.4252
Hays ESD #8.....	0.1000
Hays Consolidated Independent School District.....	<u>1.4613</u>
Total Overlapping Tax Rate.....	\$ 1.9865
The District .....	<u>0.9000</u>
Total Tax Rate .....	\$ 2.8865

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# STATEMENT OF ACTIVITIES

	Governmental Activities, Fiscal Year				
	2012	2011	2010	2009	2008
Water and Wastewater	\$ 638,879.00	\$ 484,857	\$ 418,778.00	\$ 585,018	\$ 133,770
Property Tax	643,491	549,782	395,792	302,275	97,404
Interest and Miscellaneous	20,584	8,030	6,799	42,524	987
Total Revenues	\$ 1,302,954	\$ 1,042,669	\$ 821,369	\$ 929,817	\$ 232,161
Professional Fees	\$ 128,014	\$ 131,955	\$ 173,908	\$ 193,716	\$ 181,887
Repairs and Maintenance	28,390	48,862	54,755	64,342	21,338
Water and Wastewater	491,867	345,213	301,712	509,164	114,741
Contracted Services	65,059	52,825	56,135	41,131	31,695
Debt Service	257,427	150,677	46,366	-	-
Recurring Operating	95,326	29,798	29,637	21,819	10,783
Capital Outlay	-	-	462,193	-	-
Depreciation	58,023	23,286	6,765	-	-
Total Expenses	\$ 1,124,106	\$ 782,616	\$ 1,131,471	\$ 830,172	\$ 360,444
Excess/(deficiency)	\$ 178,848	\$ 260,053	\$ (310,102)	\$ 99,645	\$ (128,283)
Beginning Net Assets	(287,076)	(547,129)	(237,057)	(336,702)	(208,419)
Ending Net Assets	\$ (108,228)	\$ (287,076)	\$ (547,159)	\$ (237,057)	\$ (336,702)

Source: The District's Audited Financial Statements.

The Unaudited Net Assets as of September 30, 2013 was \$5,824,681.

## TAX DATA

**DEBT SERVICE TAX . . .** The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, ad valorem property tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on the Bonds. The TCEQ, in connection with its approval of the Bonds, recommended that a debt service tax rate of not less than \$0.9000 per \$100 of appraised valuation be levied in the initial year after the issuance of the Bonds, which is expected to be 2013. See "RISK FACTORS-Factors Affecting Taxable Values and Tax Payments," "TAX DATA-Historical Tax Rate," "TAX DATA-Tax Roll Information" below and "TAXING PROCEDURES."

**MAINTENANCE TAX . . .** The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.00 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

**TAX EXEMPTIONS . . .** The District has not adopted any local option tax exemptions for property located within the District.

**ADDITIONAL PENALTIES . . .** The District has contracted with the Hays County Tax Assessor/Collector to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty to defray the costs of collection.

## HISTORICAL TAX RATE

	2009	2010	2011	2012	2013
Debt Service	\$ 0.0000	\$ 0.0000	\$ 0.4850	\$ 0.4665	\$ 0.4665
Maintenance	0.8500	0.9000	0.4150	0.4335	0.4335
Total	\$ 0.8500	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000

**HISTORICAL TAX COLLECTIONS . . .** The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's tax assessor/collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Year	Net Certified Taxable Assessed Valuation <sup>(a)</sup>	Tax Rate	Total <sup>(b)</sup> Tax Levy	Current Collections		Total Collections		As of
				Amount	Percent	Amount	Percent	
2006	\$ 6,321,647	\$ 0.85	\$ 53,734	\$ 53,734	100.00%	\$ 53,734	100.00%	09/30/07
2007	11,316,941	0.85	96,194	94,990	98.75%	94,990	98.75%	09/30/08
2008	31,181,691	0.85	265,044	244,895	92.40%	249,350	94.08%	09/30/09
2009	43,619,527	0.90	392,576	392,576	99.50%	442,377	112.69%	09/30/10
2010	58,994,215	0.90	530,961	530,861	99.98%	532,680	100.34%	09/30/11
2011	70,725,317	0.90	638,665	638,561	99.98%	640,099	100.22%	09/30/12
2012	80,922,123	0.90	728,299	724,203	99.44%	724,203	99.44%	09/30/13
2013	100,482,875	0.90	838,559	N/A	N/A	N/A	N/A	10/31/13

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

**TAX ROLL INFORMATION . . .** The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES-Valuation of Property for Taxation"). The following represents the composition of property comprising the 2011, 2012 and 2013 Certified Taxable Appraised Valuations.

	2013 Certified Taxable Appraised Valuation	2012 Certified Taxable Appraised Valuation	2011 Certified Taxable Appraised Valuation
Land and Improvements	\$ 105,844,736	\$ 81,670,288	\$ 71,539,752
Total Appraised Valuation	\$ 105,844,736	\$ 81,670,288	\$ 71,539,752
Exemptions	<u>5,361,861</u>	<u>748,165</u>	<u>814,435</u>
Total Taxable Appraised Valuation	<u>\$ 100,482,875</u>	<u>\$ 80,922,123</u>	<u>\$ 70,725,317</u>

**PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's appraised value as a percentage of the 2013 Certified Taxable Assessed Valuation. The 2013 Certified Taxable Assessed Valuation is subject to protest, which could result in changes to the principal taxpayers lists.

Name of Taxpayer	2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SIR Buda Ranch LLC	\$ 14,105,964	14.04%
Lennar Homes of Texas Land & Constr.	4,102,590	4.08%
The Meadows at Buda Commercial Ltd.	2,720,090	2.71%
Newstand Buda Ltd.	1,428,656	1.42%
Homes by AVI (Texas) LP	656,540	0.65%
Lennar Homes of Texas Sales & Marketing	406,490	0.40%
Gehan Homes Ltd.	283,298	0.28%
Muraira, Selina	235,060	0.23%
Gaspar, Eugene Christopher	233,960	0.23%
Gray, Stephen & Marlene	226,930	0.23%
	<u>\$ 24,399,578</u>	<u>24.28%</u>

**TAX ADEQUACY FOR DEBT SERVICE . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet estimated average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2013 Certified Taxable Assessed Valuation as provided by the Hays Central Appraisal District of \$100,482,875. The calculations use a net interest cost of 4.98%, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2014-2043) .....	\$ 484,431
\$0.5357 Tax Rate on 2013 Certified Taxable Assessed Valuation at 90% collection.....	\$ 484,458
Maximum Annual Debt Service Requirement (2034).....	\$ 611,963
\$0.6767 Tax Rate on 2013 Certified Taxable Assessed Valuation at 90% collection.....	\$ 611,971

## TAXING PROCEDURES

**AUTHORITY TO LEVY TAXES . . .** The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (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 Payment." Under Texas law, the Board may also levy and collect a separate annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA-Maintenance Tax."

**PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . .** The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized 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 Hays Central Appraisal District has the responsibility for appraising property for all taxing units within Hays County, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the "Appraisal Review Board").

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . .** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30.

**Freeport Goods:** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage,

manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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

The District has not entered into any tax abatement agreements.

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business being valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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



required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

**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 the operation and maintenance tax rate that would impose 1.08 times the amount of the operation and maintenance tax imposed by the District in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older. 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 as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA-Estimated Overlapping Taxes"). 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS-Tax Collection Limitations and Foreclosure Remedies."

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

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

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 or may affect the valuation of such property.

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## LEGAL MATTERS

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

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

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

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

**NO-LITIGATION CERTIFICATE . . .** The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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## TAX MATTERS

**OPINION . . .** On the date of initial delivery of the Bonds, Willatt & Flickinger, 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 are not 'specified private activity bonds' and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 56(a)(5) of the Internal Revenue Code of 1986, as amended. 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's Opinion".

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether 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 Bonds, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments and 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 (as defined in Section 61 of the Code) an amount of income with respect to such original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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

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

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

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

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

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

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District covenants 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."**

## PREPARATION OF OFFICIAL STATEMENT

**SOURCES AND COMPILATION OF INFORMATION . . .** The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

**Tax Assessor/Collector:** The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Hays County Tax Assessor/Collector's office and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

**Engineer:** The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "WATER, SANITARY SEWER AND DRAINAGE FACILITIES" has been provided by Gray Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

**Developer:** The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE DEVELOPERS" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

**Auditor:** The information contained in this Official Statement related to the District's financial information was audited and provided by Maxwell Locke & Ritter, LLP, Certified Public Accountants.

**UPDATING THE OFFICIAL STATEMENT . . .** If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

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

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") of the United States Securities and Exchange Commission ("SEC"). This information will be publicly available on the MSRB's internet website at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A. The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2013. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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, as amended (the "Rule").

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

**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 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 THE MSRB . . .** The District has agreed to provide the foregoing updated 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 Board.

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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** The District became obligated to make continuing disclosure filings in connection with the issuance of its Unlimited Tax Bonds, Series 2010. Since that time, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with SEC Rule 15c2-12(b)(5)(i).

#### **MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ MARVIN B. MORGAN  
President, Board of Directors  
South Buda Water Control and Improvement District No. 1

ATTEST:

/s/ ERIC NELSEN  
Secretary, Board of Directors  
South Buda Water Control and Improvement District No. 1

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## **AERIAL BOUNDARY MAP**

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JAMES HERDMAN SURVEY NO. 33  
ABSTRACT NO. 231

PENBUR FARMS, INC.  
(198.26 ACRES)  
VOLUME 1093, PAGE 278  
D.R.H.C.T.

N87°33'08"E 1307.63'

P.O.B.

HOUSTON GBC, LTD.  
(20.50 ACRES)  
VOLUME 2554, PAGE 256  
D.R.H.C.T.

N02°28'52"W  
767.86'

N87°26'16"E 1204.05'

THE MEADOWS AT BUDA, LTD.  
(115.351 ACRES)  
VOLUME 2482, PAGE 79  
D.R.H.C.T.

195.47 ACRES

10.10 ACRE  
DIRECTORS LOT

JACOB LENTZ SURVEY NO. 32  
ABSTRACT NO. 284

N01°50'53"W 1428.95'

JOHN HOWE  
(320 ACRES)  
REMAINDER TRACT  
VOLUME 2482, PAGE 79  
D.R.H.C.T.

STATE HIGHWAY COMMISSION  
VOL. 158, PAGE 570  
D.R.H.C.T.

STATE HIGHWAY COMMISSION  
VOL. 158, PAGE 570  
D.R.H.C.T.

LOUIS WORTLE SURVEY  
NO. 31

D. D. BURNETT SURVEY NO. 5  
ABSTRACT NO. 54

N01°37'51"W 1028.22'

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1891, PAGE 883  
D.R.H.C.T.

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1891, PAGE 883  
D.R.H.C.T.

LOOP 4  
(80' ROW)

STATE HIGHWAY COMMISSION  
VOL. 158, PAGE 556  
D.R.H.C.T.

J. W. BUNTON SURVEY  
NO. 8

COUNTY ROAD 132  
(NO DEDICATED ROW)

THE MEADOWS AT BUDA, LTD.  
(6.86 ACRES)  
EXHIBIT "B"  
VOLUME 2484, PAGE 696  
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.  
(4.64 ACRES)  
EXHIBIT "C"  
VOLUME 2484, PAGE 696  
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.  
(85.24 ACRES)  
EXHIBIT "A"  
VOLUME 2484, PAGE 696  
D.R.H.C.T.

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1891, PAGE 883  
D.R.H.C.T.

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1891, PAGE 883  
D.R.H.C.T.

I. H. 35  
(ROW VARIES)

W. A. MOORE SURVEY

G. HERDER SURVEY

PARK 35 SOUTH  
SECTION 1  
CABINET 5, SLIDES 397-399  
P.R.H.C.T.

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LOT 100

**ETCH TO ACCOMPANY DESCRIPTION  
13.897 ACRE TRACT**

TRINIDAD VARGAS SURVEY NO. 9, ABSTRACT # 465  
KEESSE PARTNERS, LTD.  
TRACT 3  
VOL. 1795, PG. 101 O.P.R.H.G.

P.O.B.

APPROXIMATE  
SURVEY LINE

W/ 1/40 ENG. CAP

0/5  
SOUTH  
0.11"

INTERSTATE HIGHWAY NO. 35  
(R.O.W. VARIES)

WILMOT ROBERDEAU HORTON  
JOHN COLEMAN HORTON  
VOL. 1314, PG. 375 O.P.R.H.G.

213.897 ACRES

GEORGE HERDER SURVEY  
ABSTRACT # 239

COUNTY ROAD 119  
(OLD GOFORTH ROAD)

APPROXIMATE  
SURVEY LINE

COUNTY ROAD 133  
(HILLSIDE TERRACE)

WILLIS A. MOORE SURVEY  
ABSTRACT NO. 331

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Cunningham | Allen  
Engineers & Surveyors



3103 Bee Cave Road, Suite 202  
Austin, Texas 78746-6819  
Tel: (512) 327-2946  
Fax: (512) 327-2973

SHEET 1 OF 2

PROJECT # 361.0101  
DATE 04/11/05  
OFFICE BY

SCALE 1" = 500'

789.99'  
S01°56'06"E  
1538.50'  
S88°03'54"W  
125.00'  
S01°56'06"E  
100.00'  
N88°03'54"E  
125.00'  
S01°56'06"E  
1348.44'

SEE  
DETAIL B  
SHEET 2

SOUTHWESTERN BELL  
TELEPHONE COMPANY  
VOL. 124, PAGE 258  
D.R.H.C.

SEE  
DETAIL C  
SHEET 2

SEE  
DETAIL A  
SHEET 2

STA  
53+00.34  
10.00' RT.  
N66°47'25"W  
360.84'  
STA  
153+00.34  
210.50' LI.

STA  
108+73.74  
539.38' LI.  
N08°49'43"W  
542.02'

STA  
108+91.9  
210.6' LI.  
S08°26'52"W  
298.36'  
S08°49'43"E  
28.21'  
STA  
151+84.87  
635.55' LI.

28.00'

S88°12'26"W  
3478.74'  
S88°12'26"W  
3480.36'

## **PHOTOGRAPHS OF THE DISTRICT**

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENT OF THE DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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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  
South Buda Water Control and Improvement District No. 1:

We have audited the accompanying financial statements of the governmental activities and each major fund of South Buda Water Control and Improvement District No. 1 (the "District") as of and for the year ended September 30, 2012, 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 previously 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, 2012, 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*

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

*Maxwell Roche + Pitter LLP*

January 3, 2013

# **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO.1**

## **Management's Discussion and Analysis For the Year Ended September 30, 2012**

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of South Buda Water Control and Improvement District No. 1 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2012. Please read it in connection with the District's financial statements that follow.

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, if any, 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*.

### **Financial Highlights**

- The liabilities of the District exceeded its assets at the close of the most recent year by \$108,228.
- The District issued \$3,145,000 in Series 2011 Unlimited Tax Bonds.

### **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 balance 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*.

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

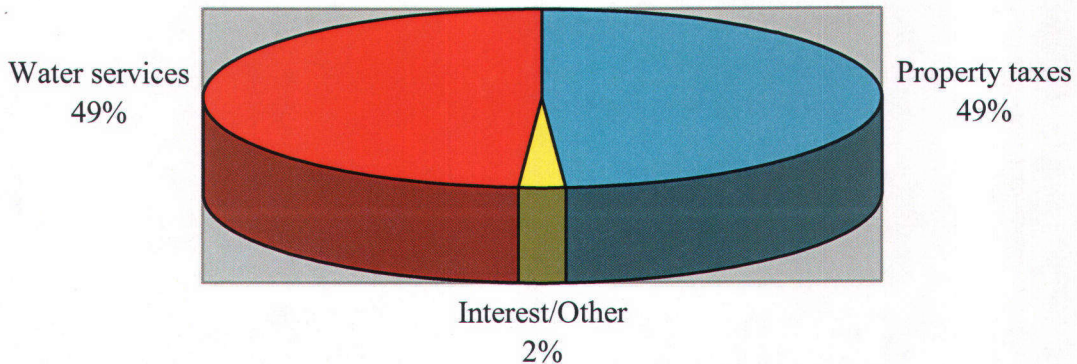
	Governmental Activities		
	2012	2011	% Change
Current and Other Assets	\$ 1,801,404	\$ 1,199,936	50%
Capital and Non-Current Assets	4,509,515	1,811,870	149%
<b>Total Assets</b>	<b>\$ 6,310,919</b>	<b>\$ 3,011,806</b>	<b>110%</b>
Current Liabilities	\$ 242,826	\$ 192,617	26%
Long-term Liabilities	6,176,321	3,106,265	99%
<b>Total Liabilities</b>	<b>\$ 6,419,147</b>	<b>\$ 3,298,882</b>	<b>95%</b>
Invested in Capital Assets, net of related debt	\$ (1,449,788)	\$ (1,098,093)	(32%)
Restricted	482,162	115,767	316%
Unrestricted	859,398	695,250	24%
<b>Total Net Assets</b>	<b>\$ (108,228)</b>	<b>\$ (287,076)</b>	<b>62%</b>

## Statement of Activities

	Governmental Activities		
	2012	2011	% Change
Water and tap/inspection fees	\$ 638,879	\$ 484,857	32%
Property taxes	643,491	549,782	17%
Interest and miscellaneous	20,584	8,030	156%
<b>Total revenues</b>	<b>1,302,954</b>	<b>1,042,669</b>	<b>25%</b>
Water	491,867	345,213	42%
Professional fees	128,014	131,955	(3%)
Repairs and maintenance	28,390	48,862	(42%)
Contracted services	65,059	52,825	23%
Debt service	257,427	150,677	71%
Recurring operating	95,326	29,798	220%
Depreciation	58,023	23,286	149%
<b>Total expenses</b>	<b>1,124,106</b>	<b>782,616</b>	<b>44%</b>
<b>Change in net assets</b>	<b>178,848</b>	<b>260,053</b>	<b>(31%)</b>
Beginning net assets	(287,076)	(547,129)	48%
<b>Ending net assets</b>	<b>\$ (108,228)</b>	<b>\$ (287,076)</b>	<b>62%</b>

Operating revenues were approximately \$1,303,000 for the year ended September 30, 2012. Of this amount, water and tap/inspection fees provided approximately \$639,000, and property taxes provided approximately \$643,000 in revenues. Total expenses were approximately \$1,124,000 for the year ended September 30, 2012. Of this amount, professional fees totaled approximately \$128,000, and water purchases totaled approximately \$492,000. Net assets increased approximately \$179,000 for the year ended September 30, 2012.

### Source of Revenue



## Analysis of Governmental Funds

	2012	2011	2010
Cash	\$ 1,713,222	1,091,670	1,039,273
Investments	13,756	13,739	13,723
Receivables	77,274	91,063	49,604
Prepaid expenditures	-	3,554	4,041
<b>Total assets</b>	<b>\$ 1,804,252</b>	<b>1,200,026</b>	<b>1,106,641</b>
Accounts payable	\$ 108,144	88,246	77,350
Meter deposits	30,525	26,625	24,725
Deferred revenue	479	1,913	3,751
Accrued bank interest payable	-	-	15,985
<b>Total liabilities</b>	<b>139,148</b>	<b>116,784</b>	<b>121,811</b>
Nonspendable	-	3,554	4,041
Restricted for:			
Debt service	529,111	138,603	299,736
Capital projects	25,720	4	175,792
Assigned for-			
Builder advances	251,298	251,298	251,298
Unassigned fund balance	858,975	689,783	253,963
<b>Total fund balances</b>	<b>1,665,104</b>	<b>1,083,242</b>	<b>984,830</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,804,252</b>	<b>1,200,026</b>	<b>1,106,641</b>

The District complies with 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.

**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 of Directors.

**Assigned** - For the General Fund, amounts that are appropriated by the Board of Directors, or their designee, 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 expenditures. When comparing actual to budget, actual revenues were less than budget by approximately \$217,000 due to a change in the allocation of revenues between funds, which was offset some by an increase in water service revenue. Actual expenditures were greater than budget by approximately \$66,000. More detailed information about the District's budget is presented in the *Basic Financial Statements*.



The *Debt Service Fund* remitted bond principal of \$55,000 and bond interest of \$216,052. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* primarily purchases the District's infrastructure and capital outlay expenditures were \$2,559,650 for the year ended September 30, 2012.

### **Capital Assets and Long-Term Debt Activity**

Capital assets consisted of the following at September 30, 2012:

Land and easements	\$ 624,121
Infrastructure	3,584,852
Subtotal	<u>4,208,973</u>
Accumulated depreciation	<u>(88,074)</u>
Total	<u>\$ 4,120,899</u>

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

Long-term debt consisted of the following at September 30, 2012:

Current portion	\$ 60,000
Long-term portion	<u>5,925,023</u>
Total	<u>\$ 5,985,023</u>

At September 30, 2012, the District owed approximately \$252,000 to the builder for advances used to fund operating activities and approximately \$6.0 million to bond holders. At September 30, 2012, unlimited tax bonds of \$77,920,000 were authorized by the voters of the District, but unissued. 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**

For fiscal year 2013, the tax rate has been set at \$0.90 per \$100 of assessed valuation with \$0.4335 for maintenance and operating expenditures and \$0.4665 for debt service. The adopted budget for fiscal year 2013 projects revenues of approximately \$867,000 and expenditures of approximately \$740,000 for the General Fund.

### **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 at 2001 North Lamar Blvd., Austin, Texas 78705.

# SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENT NOTE 2	STATEMENT OF NET ASSETS
<b>ASSETS:</b>						
Cash	\$ 909,941	526,521	25,462	1,461,924	-	1,461,924
Restricted cash	251,298	-	-	251,298	-	251,298
Temporary investments	13,756	-	-	13,756	-	13,756
Service accounts receivable	73,947	-	-	73,947	-	73,947
Property tax receivable	423	56	-	479	-	479
Interfund receivables	-	2,590	258	2,848	(2,848)	-
Deferred charges-						
Bond issuance costs	-	-	-	-	388,616	388,616
Capital assets (net of accumulated depreciation):						
Land and easements	-	-	-	-	624,121	624,121
Infrastructure	-	-	-	-	3,496,778	3,496,778
Total assets	<u>\$ 1,249,365</u>	<u>529,167</u>	<u>25,720</u>	<u>1,804,252</u>	<u>4,506,667</u>	<u>6,310,919</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 105,296	-	-	105,296	-	105,296
Meter deposits	30,525	-	-	30,525	-	30,525
Interfund payables	2,848	-	-	2,848	(2,848)	-
Deferred revenue	423	56	-	479	(479)	-
Accrued bond interest payable	-	-	-	-	47,005	47,005
Long-term liabilities:						
Due within one year - bonds	-	-	-	-	60,000	60,000
Due after one year - bonds	-	-	-	-	5,925,023	5,925,023
Builder advances	-	-	-	-	251,298	251,298
Total liabilities	<u>139,092</u>	<u>56</u>	<u>-</u>	<u>139,148</u>	<u>6,279,999</u>	<u>6,419,147</u>
<b>FUND BALANCE/ NET ASSETS:</b>						
Fund balances:						
Restricted for:						
Debt service	-	529,111	-	529,111	(529,111)	-
Capital projects	-	-	25,720	25,720	(25,720)	-
Assigned for-						
Builder advances	251,298	-	-	251,298	(251,298)	-
Unassigned	858,975	-	-	858,975	(858,975)	-
Total fund balances	<u>1,110,273</u>	<u>529,111</u>	<u>25,720</u>	<u>1,665,104</u>	<u>(1,665,104)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,249,365</u>	<u>529,167</u>	<u>25,720</u>	<u>1,804,252</u>		
Net assets:						
Invested in capital assets, net of related debt					(1,449,788)	(1,449,788)
Restricted for debt service					482,162	482,162
Unrestricted					859,398	859,398
Total net assets					<u>\$ (108,228)</u>	<u>(108,228)</u>

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

# SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS NOTE 2	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>						
Service operations:						
Water purchases	\$ 491,867	-	-	491,867	-	491,867
Engineering fees	42,761	-	-	42,761	-	42,761
Legal fees	71,753	-	-	71,753	-	71,753
Repairs and maintenance	28,390	-	-	28,390	-	28,390
Management fees	15,150	-	-	15,150	-	15,150
Garbage services	36,073	-	-	36,073	-	36,073
Inspection fees	7,550	-	-	7,550	-	7,550
Tax assessor	6,286	-	-	6,286	-	6,286
Directors' fees	13,646	-	-	13,646	-	13,646
Audit fees	13,500	-	-	13,500	-	13,500
Insurance	4,488	-	-	4,488	-	4,488
Recurring operating	77,192	-	-	77,192	-	77,192
Capital outlay	-	-	2,559,650	2,559,650	(2,559,650)	-
Debt service:						
Bond principal	-	55,000	-	55,000	(55,000)	-
Interest	-	216,052	-	216,052	25,826	241,878
Fiscal agent fees and other	-	-	211,567	211,567	(196,018)	15,549
Depreciation	-	-	-	-	58,023	58,023
Total expenditures/expenses	808,656	271,052	2,771,217	3,850,925	(2,726,819)	1,124,106
<b>REVENUES:</b>						
Program revenues:						
Water service	602,279	-	-	602,279	-	602,279
Tap connection fees	24,000	-	-	24,000	-	24,000
Inspection fees	12,600	-	-	12,600	-	12,600
Total program revenues	638,879	-	-	638,879	-	638,879
Net program expense						(485,227)
General revenues:						
Property taxes, including penalties and interest	298,675	346,250	-	644,925	(1,434)	643,491
Interest on temporary investments	2,091	458	430	2,979	-	2,979
Miscellaneous	17,605	-	-	17,605	-	17,605
Total general revenues	318,371	346,708	430	665,509	(1,434)	664,075
Total revenues	957,250	346,708	430	1,304,388	(1,434)	1,302,954
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers between funds	17,044	-	(17,044)	-	-	-
Proceeds from sale of bonds	-	314,852	2,830,148	3,145,000	(3,145,000)	-
Discount on sale of bonds	-	-	(16,601)	(16,601)	16,601	-
Total other financing sources, net	17,044	314,852	2,796,503	3,128,399	(3,128,399)	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>						
	165,638	390,508	25,716	581,862	(581,862)	-
Change in net assets					178,848	178,848
<b>FUND BALANCES/NET ASSETS:</b>						
Beginning of year	944,635	138,603	4	1,083,242	(1,370,318)	(287,076)
End of year	\$ 1,110,273	529,111	25,720	1,665,104	(1,773,332)	(108,228)

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

# **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2012**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>				
Water service	\$ 495,287	673,925	602,279	(71,646)
Tap connection fees	6,000	24,000	24,000	-
Inspection fees	-	-	12,600	12,600
Property taxes, including penalties and interest	663,870	298,000	298,675	675
Interest on temporary investments	1,800	1,800	2,091	291
Miscellaneous	7,200	-	17,605	17,605
Total revenues	<u>1,174,157</u>	<u>997,725</u>	<u>957,250</u>	<u>(40,475)</u>
<b>EXPENDITURES:</b>				
Service operations:				
Water purchases	489,986	505,325	491,867	13,458
Engineering fees	46,500	46,500	42,761	3,739
Legal fees	80,000	80,000	71,753	8,247
Repairs and maintenance	42,000	27,000	28,390	(1,390)
Management fees	15,400	15,000	15,150	(150)
Garbage services	22,800	35,000	36,073	(1,073)
Inspection fees	9,600	8,000	7,550	450
Tax assessor	3,920	6,600	6,286	314
Directors' fees	13,560	15,000	13,646	1,354
Audit fees	10,500	13,500	13,500	-
Insurance	4,000	4,488	4,488	-
Recurring operating	4,200	73,185	77,192	(4,007)
Total expenditures	<u>742,466</u>	<u>829,598</u>	<u>808,656</u>	<u>20,942</u>
<b>OTHER FINANCING SOURCES-</b>				
Transfers between funds	-	-	17,044	17,044
Total other financing sources	<u>-</u>	<u>-</u>	<u>17,044</u>	<u>17,044</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<b>431,691</b>	<b>168,127</b>	<b>165,638</b>	<b>(2,489)</b>
<b>FUND BALANCE:</b>				
Beginning of year	<u>944,635</u>	<u>944,635</u>	<u>944,635</u>	<u>-</u>
End of year	<u>\$ 1,376,326</u>	<u>1,112,762</u>	<u>1,110,273</u>	<u>(2,489)</u>

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

# **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

South Buda Water Control and Improvement District No. 1 (the "District") was created by the Hays County Commissioners Court on January 25, 2005, in accordance with Article XVI, Section 29 of the Constitution of the State of Texas (the "State") and with Chapter 54 of the Texas Water Code. The Board of Directors (the "Board") held its first meeting July 18, 2005.

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 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 separated columns in the fund financial statements.

#### **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. 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.

### **Assets, Liabilities, and Net Assets or Equity**

Restricted cash - Restricted cash consisted of builder advances that will be repaid through future bond issuance.

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.

Ad Valorem Property Taxes - Property taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. 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.

Encumbrances - Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at September 30, 2012 provided for in the subsequent year's budget.

Capital Assets - Capital assets, which include land and easements and infrastructure, are reported in the government-wide column in the statement of net assets. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems are capitalized. Capital assets are defined by the District as assets with an initial individual cost of at least \$5,000. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets (other than land and easements) are depreciated using the straight line method over the following estimated useful lives: infrastructure - twenty to fifty years.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity - The District complies with 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.

## Recently Issued Accounting Pronouncements

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended June 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended June 30, 2014.

## 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	\$ 1,665,104
Capital assets and deferred charges used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net of accumulated depreciation	4,120,899
Deferred charges - bond issue costs	388,616
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	479
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, net of discount	(5,985,023)
Bond interest payable	(47,005)
Builder advances	(251,298)
Total net assets	<u>\$ (108,228)</u>



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

Excess of revenues and other sources over expenditures and other uses	\$ 581,862
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	2,559,650
Depreciation expense	(58,023)
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	(1,434)
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	55,000
Bond issuance costs	211,567
Bond proceeds, including discount	(3,128,399)
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	(24,169)
Amortization of bond issuance costs	(15,549)
Amortization of original issue discount	(1,657)
Change in net assets	<u>\$ 178,848</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. At September 30, 2012, such 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. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

At September 30, 2012, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), of \$13,756 which has a Standard & Poor's rating of AAAm and a weighted average maturity of one day.

Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These 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 manages daily operations of TexPool under a contract with the Comptroller and serves as 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, 2012, investments were included in a local governmental investment pool with a rating from Standard & Poor's of AAAm which is 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	\$ 2,590
Capital Projects	General	258
Total		<u>\$ 2,848</u>

During the year, the Capital Projects Fund transferred \$17,044 in surplus bond proceeds to the General Fund.

## 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions	Retirements and Transfers	Balance September 30, 2012
Capital assets not being depreciated-				
Land and easements	\$ 408,593	215,528	-	624,121
Capital assets being depreciated-				
Infrastructure	1,240,730	2,344,122	-	3,584,852
Less accumulated depreciation for-				
Infrastructure	(30,051)	(58,023)	-	(88,074)
Total accumulated depreciation	(30,051)	(58,023)	-	(88,074)
Total capital assets being depreciated, net	1,210,679	2,286,099	-	3,496,778
Capital assets, net	<u>\$ 1,619,272</u>	<u>2,501,627</u>	<u>-</u>	<u>4,120,899</u>

## 6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Bonds payable	\$ 2,935,000	3,145,000	(55,000)	6,025,000
Issuance discount on bonds	(25,033)	(16,601)	1,657	(39,977)
Total	<u>\$ 2,909,967</u>	<u>3,128,399</u>	<u>(53,343)</u>	<u>5,985,023</u>

Long-term debt at September 30, 2012, was comprised of the following:

	Balance September 30, 2012	Due in One Year
\$2,935,000, Series 2010, Unlimited Tax Bonds, due in annual installments August 1, 2012 thru 2034. Interest varies from 3.00% to 5.25% and is payable on February 1 and August 1 each year.	\$ 2,880,000	\$ 60,000
\$3,145,000, Series 2011, Unlimited Tax Bonds, due in annual installments August 1, 2014 thru 2041. Interest varies from 3.00% to 5.00% and is payable on February 1 and August 1 each year.	3,145,000	-
	<u>\$ 6,025,000</u>	<u>\$ 60,000</u>

The bonds require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2012.

On January 12, 2012, the District issued \$3,145,000 in Unlimited Tax Bonds to reimburse the District's developers for construction costs, pay interest on funds advanced by the developers on behalf of the District, capitalize approximately twenty-four months of interest on the bonds, and pay administrative costs and certain other costs and engineering fees related to the issuance of the bonds. The net proceeds of \$2,935,572 (after payment of \$211,567 in underwriting fees and other issuance costs) were used for the following: \$2,601,980 was deposited in the Capital Projects Fund to reimburse the District's developers for construction costs, developer interest, and other non-construction costs related to the issuance of the bonds and \$333,592 was deposited in the Debt Service Fund for future interest and principal payments.

At September 30, 2012, unlimited tax bonds of approximately \$77,920,000 were authorized by the District but unissued.

As of September 30, 2012, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2013	\$ 60,000	282,030	342,030
2014	120,000	280,230	400,230
2015	125,000	276,630	401,630
2016	130,000	272,815	402,815
2017	140,000	268,485	408,485
2018-2022	840,000	1,252,858	2,092,858
2023-2027	1,110,000	1,044,686	2,154,686
2028-2032	1,515,000	740,632	2,255,632
2033-2037	1,225,000	344,538	1,569,538
2038-2041	760,000	97,500	857,500
Total	\$ 6,025,000	4,860,404	10,885,404

## 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 Hays Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. 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. The maximum allowable maintenance tax of \$1.00 was established by the voters on September 10, 2005.

In September 2011, the District levied a combined tax rate of \$0.90 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.415 and \$0.485, respectively. The total 2011 tax levy was \$638,665 based on a taxable valuation of \$71,966,559.

## **8. FUND BALANCES**

The District complies with 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.

**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 or Board designee 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 has the authority to 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. COMMITMENTS AND CONTINGENT LIABILITIES**

The District has entered into several Cost Share Agreements between the District and the developers for the sharing of construction and engineering expenses related to various projects. The Cost Share Agreements represent the respective pro-rata share of capacity each party shall have in the projects.

## **10. RISK MANAGEMENT**

The District's risk management program includes coverage through third party insurance providers for automobile liability, director and officer liability, public officials position liability and commercial umbrella and general liability. No claims were filed during the previous three years.

**APPENDIX B**

**FORM OF BOND COUNSEL'S OPINION**

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**WILLATT & FLICKINGER**  
**ATTORNEYS AT LAW**

2001 NORTH LAMAR • AUSTIN, TEXAS 78705 • (512) 476-6604 • FAX (512) 469-9148

\_\_\_\_\_, 2013

**WE HAVE ACTED** as bond counsel for South Buda Water Control and Improvement District No. 1 (the "District") in connection with the issue of bonds described as follows:

South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013, in the total authorized aggregate principal amount of \$2,055,000, maturing on August 1 in each of the years between 2016 and 2032, both inclusive, with term bonds maturing on August 1 in the years 2034, 2036, 2038 and 2043 (the "Bonds"). The Bonds bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board authorizing their issuance (the "Order").

**WE HAVE ACTED** as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify and have not investigated or verified any records, data or other material relating to the financial condition or capabilities of the District, and we have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

**IN OUR CAPACITY** as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service as we have deemed relevant. In addition, we have examined executed Bond No. T-1.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the District relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, the Bonds constitute valid and legally binding obligations of the District payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally

available for such purposes) to pay the interest on and the principal of the Bonds.

**THE DISTRICT** reserves the right to issue additional tax bonds and bonds and other obligations payable from other resources including contracts with other persons, including private corporations, municipalities, and political subdivisions.

**IT IS FURTHER OUR OPINION**, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, that (i) the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes and (ii) the Bonds are not "specified private activity bonds" within meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and that, accordingly, interest on the Bonds will not be included in an individual or corporate alternative minimum tax preference item under section 57(a)5 of the Code. We are further of the opinion that the Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds.

Respectfully,



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

## **FEDERAL TAX CERTIFICATE**

### **1. In General.**

1.1. The undersigned is the President of the Board of Directors of South Buda Water Control and Improvement District No. 1 (the "Issuer").

1.2. This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's Unlimited Tax Road Bonds, Series 2013 (the "Bonds"). The Bonds are being issued pursuant to an order of the Issuer (the "Order") adopted on the date of sale of the Bonds. The Order is incorporated herein by reference.

1.3. To the best of the undersigned's knowledge, information and belief, the expectations contained in this Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility of issuing and delivering the Bonds.

### **2. The Purpose of the Bonds and Useful Lives of Projects.**

2.1. The Bonds are being issued pursuant to the Order for the purpose or purposes authorized by the bond election, including (1) payment for road improvements (the "Project"); (2) capitalized interest on the bonds and (3) certain costs associated with the issuance of the Bonds.

2.2. The Issuer expects that the aggregate useful lives of the Project will exceed twenty (20) years from the later of the date the Projects are placed in service or the date on which the Bonds are issued.

2.3. All earnings, such as interest and dividends, received from the investment of the proceeds of the Bonds during the period of acquisition and construction of the Projects and not used to pay interest on the Bonds, will be used to pay the costs of the Projects, unless required to be rebated and paid to the United States in accordance with Section 148(f) of the Internal Revenue Code of 1986 (the "Code"). The proceeds of the Bonds, together with any investment earnings thereon, are expected not to exceed the amount necessary for the governmental purpose of the Bonds. The Issuer expects that no disposition proceeds will arise in connection with the Projects or the Bonds.

### **3. Expenditure of Bond Proceeds and Use of Projects.**

3.1. The District's receipts of bond proceeds and disbursement of bond proceeds are shown on Schedule C attached hereto. It shows that all the bond proceeds have been spent.

3.2. The District reimbursed Meadows at Buda Commercial, Ltd. for the bond application report and construction and engineering costs and developer interests, as shown in Schedule C. The reimbursement was for the cost of constructing an addition to Hays County Road 132. The District acquired title to that addition and then conveyed title to Hays County, Texas.

3.3. The road improvements for the costs of which the Bonds were issued will be used by members of the general public. The Issuer has acquired those road improvements and conveyed them to Hays County, Texas, without compensation. Hays County, Texas is a qualified governmental unit.

4. **Interest and Sinking Fund.**

4.1. The Order creates an Interest and Sinking Fund. Other than as described herein, money deposited in the Interest and Sinking Fund will be used to pay the principal of and interest on the Bonds (the "Bona Fide Debt Service Portion").

4.2. Amounts deposited in the Interest and Sinking Fund constituting the Bona Fide Debt Service Portion will be spent within a thirteen-month period beginning on the date of deposit, and any amount received from the investment of money held in the Interest and Sinking Fund will be spent within a one-year period beginning on the date of receipt.

4.3. The Bona Fide Debt Service Portion constitutes a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Such portion will be completely depleted at least once each year except for an amount not in excess of the greater of (a) one-twelfth of the debt service on the Bonds for the previous year, or (b) the previous year's earnings on such portion of the Interest and Sinking Fund.

4.4. A portion of the funds on deposit in the Interest and Sinking Fund, not otherwise used to pay debt service on the Bonds within thirteen months, will be held in trust for the benefit of the holders of the bonds (the "Reserve Portion"). If on any interest payment or maturity date, sufficient amounts are not available to make debt service payments on the Bonds, the Issuer is required to use such money constituting the Reserve Portion in an amount sufficient to make such payments.

4.5. The present value of the investments deposited to the Reserve Portion of the Interest and Sinking Fund and allocable to the Bonds that will be invested at a yield higher than the yield on the Bonds will not, as of any date, exceed an aggregate amount which equals the lesser of (a) ten percent (10%) of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds, (b) 1.25 of the average annual debt service on the Bonds, or (c) maximum annual debt service on the Bonds.

4.6. Based on advice to the Issuer by its financial advisors, as confirmed by the attached certificate, the amount on deposit in the Reserve Portion of the Interest and Sinking Fund should be maintained as a balance allocable to the Bonds in the Interest and Sinking Fund consistent with accepted standard of prudent fiscal management for similar governmental bodies and in order to provide a reserve against periodic fluctuations in the amount and timing of payment of ad valorem taxes to the Issuer.

5. **Invested Sinking Fund Proceeds, Replacement Proceeds.**

5.1. The Issuer has, in addition to the moneys received from the sale of the Bonds, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

5.2. Other than the Interest and Sinking Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Bonds, or (b) which are reserved or pledged as collateral for payment of debt service on the Bonds and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Bonds, within the meaning of Section 148 of the Code.

6. **Other Obligations.**

There are no other obligations of the Issuer that (a) are sold at substantially the same time as the Bonds, i.e., within fifteen (15) days of the date of sale of the Bonds, (b) are sold pursuant to a common plan of financing with the Bonds, and (c) will be payable from the same source of funds as the Bonds.

7. **Federal Tax Audit Responsibilities.**

The Issuer acknowledges that in the event of an examination by the Internal Revenue Service (the "Service") to determine compliance of the Bonds with the provisions of the Code as they relate to tax-exempt obligations, the Issuer will respond, and will direct its agents and assigns to respond, in a commercially reasonable manner to any inquiries from the Service in connection with such an examination. The Issuer understands and agrees that the examination may be subject to public disclosure under applicable Texas law.

8. **Record Retention.**

The Issuer has covenanted in the Order that it will comply with the requirements of the Code relating to the exclusion of the interest on the Bonds under Section 103 of the Code. The service has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under section 103 of the Code. **ACCORDINGLY, THE ISSUER SHALL TAKE STEPS TO ENSURE THAT ALL MATERIALS, RECORDS AND INFORMATION NECESSARY TO CONFIRM THE EXCLUSION OF THE INTEREST ON THE BONDS UNDER SECTION 103 OF THE CODE ARE RETAINED FOR THE PERIOD BEGINNING ON THE ISSUE DATE OF THE BONDS AND ENDING THREE YEARS AFTER THE DATE THE BONDS ARE RETIRED.**

9. **Rebate to United States.**

The Issuer has covenanted in the Order that it will comply with the requirements of the Code, including Section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the Issuer will take steps to ensure that all earnings on gross proceeds of the Bonds in excess of the yield on the Bonds required to be rebated to the United States will be timely paid to the United States.

10. **Small Issuer.**

The District is a governmental unit with general taxing powers. It expects that 95% of the net proceeds of the Bonds and all income from the investment thereof will be used for the governmental activities of the District; that the aggregate face amount of all debt obligations issued or expected to be issued by the District or any subordinate entity in the calendar year in which the Bonds are issued (including the bonds but excluding obligations to be redeemed with proceeds of the Bonds within 90 days after the date on which the Bonds are to be issued) is not reasonably expected to exceed \$5,000,000; and that it will otherwise satisfies the requirements of paragraph (4)(D) of Section 148(f) of the Internal Revenue Code and the regulations and rulings thereunder.

11. **Underwriter's Issue Price Certificate and Bond Yield.**

The Underwriter's Issue Price Certificate and information provided by the District's Financial Advisor on the bond yield is attached hereto.

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WITNESS MY HAND and the official seal of the Issuer as of this 19<sup>th</sup> day of December, 2013.

**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

By: Marvin B. Morgan  
Marvin B. Morgan, President  
Board of Directors



**SCHEDULE C**  
**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**SERIES 2013 BOND ISSUE**  
**CASH RECONCILIATION**  
**DECEMBER 19, 2013**

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**CASH RECEIPTS:**

Principal amount		\$ 2,055,000.00
Net discount		<u>(58,156.50)</u>
Total receipts		<u>1,996,843.50</u>

**CASH DISBURSEMENTS:**

District's Debt Service Fund:		
Capitalized interest	153,536.00	
Attorney General fee	<u>2,055.00</u>	155,591.00
Meadows at Buda Commercial, Ltd.:		
Construction and engineering costs	1,364,473.90	
Bond application report	1,527.21	
Developer interest	<u>378,627.61</u>	1,744,628.72
Willatt & Flickinger-		
Bond counsel fees		30,825.00
Andrews Kurth LLP-		
Disclosure counsel fees		12,000.00
Specialized Public Finance, Inc.:		
Fiscal agent fees	35,962.50	
Other reimbursable costs	<u>12,436.28</u>	48,398.78
Maxwell Locke & Ritter LLP		5,000.00
Bank of Texas		<u>400.00</u>
Total cash disbursements		<u>1,996,843.50</u>

**SURPLUS FUNDS AVAILABLE FOR SUBSEQUENT BOND  
RELATED DISBURSEMENTS AND/OR SURPLUS BOND APPLICATION**

**\$ -**

# ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the sale of South Buda Water Control and Improvement District No. 1 (the "District") \$2,055,000 Unlimited Tax Road Bonds, Series 2013 (the "Bonds"):

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

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$ 35,000	2016	1.75 %	\$ 70,000	2030	4.80 %
35,000	2017	2.00 %	75,000	2031	4.85 %
35,000	2018	2.40 %	75,000	2032	4.90 %
40,000	2019	2.70 %	80,000	2033	*** %
40,000	2020	3.00 %	85,000	2034	4.95 %
40,000	2021	3.20 %	90,000	2035	*** %
45,000	2022	3.40 %	95,000	2036	5.00 %
45,000	2023	3.60 %	100,000	2037	*** %
50,000	2024	%	105,000	2038	5.00 %
55,000	2025	%	110,000	2039	*** %
55,000	2026	%	115,000	2040	*** %
60,000	2027	%	125,000	2041	*** %
60,000	2028	%	130,000	2042	*** %
65,000	2029	4.65 %	140,000	2043	5.10 %

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

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$	2014	%	\$60,000	2028	4.55 %
	2015	%		2029	%
	2016	%		2030	%
	2017	%		2031	%
	2018	%		2032	%
	2019	%		2033	%
	2020	%		2034	%
	2021	%		2035	%
	2022	%		2036	%
	2023	%		2037	%
50,000	2024	3.80 %		2038	%
55,000	2025	4.00 %		2039	%
60,000	2026	4.15 %		2040	%
60,000	2027	4.35 %		2041	%

6. Please choose the appropriate statement:

☒ The Initial Purchaser will not purchase bond insurance for the Bonds.

☐ The Initial Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$ \_\_\_\_\_ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Initial Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

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

EXECUTED and DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

Name of Purchaser or Manager

Southwest Securities

By: Michael Woodworth

Title: Senior Vice President

## South Buda Water Control & Improvement District No. 1

\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013

### Sources & Uses

Dated 11/15/2013 | Delivered 12/19/2013 (Interest accrues from Delivery Date)

#### Sources Of Funds

Par Amount of Bonds	\$2,055,000.00
Reoffering Premium	748.65
Original Issue Discount (OID)	(3,566.90)

<b>Total Sources</b>	<b>\$2,052,181.75</b>
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#### Uses Of Funds

Total Underwriter's Discount (2.693%)	55,338.25
Costs of Issuance	91,623.78
Deposit to Project Construction Fund	1,905,219.72

<b>Total Uses</b>	<b>\$2,052,181.75</b>
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**South Buda Water Control & Improvement District No. 1****\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013****Pricing Summary**

<b>Maturity</b>	<b>Type of Bond</b>	<b>Coupon</b>	<b>Yield</b>	<b>Maturity Value</b>	<b>Price</b>	<b>Dollar Price</b>
08/01/2016	Serial Coupon	2.250%	1.750%	35,000.00	101.272%	35,445.20
08/01/2017	Serial Coupon	2.250%	2.000%	35,000.00	100.867%	35,303.45
08/01/2018	Serial Coupon	2.400%	2.400%	35,000.00	100.000%	35,000.00
08/01/2019	Serial Coupon	2.700%	2.700%	40,000.00	100.000%	40,000.00
08/01/2020	Serial Coupon	3.000%	3.000%	40,000.00	100.000%	40,000.00
08/01/2021	Serial Coupon	3.200%	3.200%	40,000.00	100.000%	40,000.00
08/01/2022	Serial Coupon	3.400%	3.400%	45,000.00	100.000%	45,000.00
08/01/2023	Serial Coupon	3.600%	3.600%	45,000.00	100.000%	45,000.00
08/01/2024	Serial Coupon	3.800%	3.800%	50,000.00	100.000%	50,000.00
08/01/2025	Serial Coupon	4.000%	4.000%	55,000.00	100.000%	55,000.00
08/01/2026	Serial Coupon	4.150%	4.150%	55,000.00	100.000%	55,000.00
08/01/2027	Serial Coupon	4.350%	4.350%	60,000.00	100.000%	60,000.00
08/01/2028	Serial Coupon	4.550%	4.550%	60,000.00	100.000%	60,000.00
08/01/2029	Serial Coupon	4.650%	4.650%	65,000.00	100.000%	65,000.00
08/01/2030	Serial Coupon	4.800%	4.800%	70,000.00	100.000%	70,000.00
08/01/2031	Serial Coupon	4.850%	4.850%	75,000.00	100.000%	75,000.00
08/01/2032	Serial Coupon	4.900%	4.900%	75,000.00	100.000%	75,000.00
08/01/2034	Term 1 Coupon	4.900%	4.950%	165,000.00	99.353%	163,932.45
08/01/2036	Term 2 Coupon	4.900%	5.000%	185,000.00	98.649%	182,500.65
08/01/2038	Term 3 Coupon	5.000%	5.000%	205,000.00	100.000%	205,000.00
08/01/2043	Term 4 Coupon	5.100%	5.100%	620,000.00	100.000%	620,000.00
<b>Total</b>	-	-	-	<b>\$2,055,000.00</b>	-	<b>\$2,052,181.75</b>

**Bid Information**

Par Amount of Bonds	\$2,055,000.00
Reoffering Premium or (Discount)	(2,818.25)
Gross Production	\$2,052,181.75
Total Underwriter's Discount (2.693%)	\$(55,338.25)
Bid (97.170%)	1,996,843.50
Total Purchase Price	\$1,996,843.50
Bond Year Dollars	\$40,007.25
Average Life	19.468 Years
Average Coupon	4.8355345%
Net Interest Cost (NIC)	4.9808994%
True Interest Cost (TIC)	5.0144953%

13 \$2.055m (10-18-13) FIN | SINGLE PURPOSE | 11/21/2013 | 11:22 AM

**South Buda Water Control & Improvement District No. 1****\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013****Debt Service Schedule****Part 1 of 3**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/19/2013	-	-	-	-	-
08/01/2014	-	-	57,696.88	57,696.88	-
09/30/2014	-	-	-	-	57,696.88
02/01/2015	-	-	46,781.25	46,781.25	-
08/01/2015	-	-	46,781.25	46,781.25	-
09/30/2015	-	-	-	-	93,562.50
02/01/2016	-	-	46,781.25	46,781.25	-
08/01/2016	35,000.00	2.250%	46,781.25	81,781.25	-
09/30/2016	-	-	-	-	128,562.50
02/01/2017	-	-	46,387.50	46,387.50	-
08/01/2017	35,000.00	2.250%	46,387.50	81,387.50	-
09/30/2017	-	-	-	-	127,775.00
02/01/2018	-	-	45,993.75	45,993.75	-
08/01/2018	35,000.00	2.400%	45,993.75	80,993.75	-
09/30/2018	-	-	-	-	126,987.50
02/01/2019	-	-	45,573.75	45,573.75	-
08/01/2019	40,000.00	2.700%	45,573.75	85,573.75	-
09/30/2019	-	-	-	-	131,147.50
02/01/2020	-	-	45,033.75	45,033.75	-
08/01/2020	40,000.00	3.000%	45,033.75	85,033.75	-
09/30/2020	-	-	-	-	130,067.50
02/01/2021	-	-	44,433.75	44,433.75	-
08/01/2021	40,000.00	3.200%	44,433.75	84,433.75	-
09/30/2021	-	-	-	-	128,867.50
02/01/2022	-	-	43,793.75	43,793.75	-
08/01/2022	45,000.00	3.400%	43,793.75	88,793.75	-
09/30/2022	-	-	-	-	132,587.50
02/01/2023	-	-	43,028.75	43,028.75	-
08/01/2023	45,000.00	3.600%	43,028.75	88,028.75	-
09/30/2023	-	-	-	-	131,057.50
02/01/2024	-	-	42,218.75	42,218.75	-
08/01/2024	50,000.00	3.800%	42,218.75	92,218.75	-
09/30/2024	-	-	-	-	134,437.50
02/01/2025	-	-	41,268.75	41,268.75	-
08/01/2025	55,000.00	4.000%	41,268.75	96,268.75	-
09/30/2025	-	-	-	-	137,537.50
02/01/2026	-	-	40,168.75	40,168.75	-
08/01/2026	55,000.00	4.150%	40,168.75	95,168.75	-
09/30/2026	-	-	-	-	135,337.50
02/01/2027	-	-	39,027.50	39,027.50	-

13 \$2.055m (10-18-13) FIN | SINGLE PURPOSE | 11/21/2013 | 11:22 AM

**South Buda Water Control & Improvement District No. 1****\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013****Debt Service Schedule****Part 2 of 3**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/01/2027	60,000.00	4.350%	39,027.50	99,027.50	-
09/30/2027	-	-	-	-	138,055.00
02/01/2028	-	-	37,722.50	37,722.50	-
08/01/2028	60,000.00	4.550%	37,722.50	97,722.50	-
09/30/2028	-	-	-	-	135,445.00
02/01/2029	-	-	36,357.50	36,357.50	-
08/01/2029	65,000.00	4.650%	36,357.50	101,357.50	-
09/30/2029	-	-	-	-	137,715.00
02/01/2030	-	-	34,846.25	34,846.25	-
08/01/2030	70,000.00	4.800%	34,846.25	104,846.25	-
09/30/2030	-	-	-	-	139,692.50
02/01/2031	-	-	33,166.25	33,166.25	-
08/01/2031	75,000.00	4.850%	33,166.25	108,166.25	-
09/30/2031	-	-	-	-	141,332.50
02/01/2032	-	-	31,347.50	31,347.50	-
08/01/2032	75,000.00	4.900%	31,347.50	106,347.50	-
09/30/2032	-	-	-	-	137,695.00
02/01/2033	-	-	29,510.00	29,510.00	-
08/01/2033	80,000.00	4.900%	29,510.00	109,510.00	-
09/30/2033	-	-	-	-	139,020.00
02/01/2034	-	-	27,550.00	27,550.00	-
08/01/2034	85,000.00	4.900%	27,550.00	112,550.00	-
09/30/2034	-	-	-	-	140,100.00
02/01/2035	-	-	25,467.50	25,467.50	-
08/01/2035	90,000.00	4.900%	25,467.50	115,467.50	-
09/30/2035	-	-	-	-	140,935.00
02/01/2036	-	-	23,262.50	23,262.50	-
08/01/2036	95,000.00	4.900%	23,262.50	118,262.50	-
09/30/2036	-	-	-	-	141,525.00
02/01/2037	-	-	20,935.00	20,935.00	-
08/01/2037	100,000.00	5.000%	20,935.00	120,935.00	-
09/30/2037	-	-	-	-	141,870.00
02/01/2038	-	-	18,435.00	18,435.00	-
08/01/2038	105,000.00	5.000%	18,435.00	123,435.00	-
09/30/2038	-	-	-	-	141,870.00
02/01/2039	-	-	15,810.00	15,810.00	-
08/01/2039	110,000.00	5.100%	15,810.00	125,810.00	-
09/30/2039	-	-	-	-	141,620.00
02/01/2040	-	-	13,005.00	13,005.00	-
08/01/2040	115,000.00	5.100%	13,005.00	128,005.00	-

13 \$2.055m (10-18-13) FIN | SINGLE PURPOSE | 11/21/2013 | 11:22 AM

**South Buda Water Control & Improvement District No. 1**

\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013

**Debt Service Schedule**

Part 3 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/30/2040	-	-	-	-	141,010.00
02/01/2041	-	-	10,072.50	10,072.50	-
08/01/2041	125,000.00	5.100%	10,072.50	135,072.50	-
09/30/2041	-	-	-	-	145,145.00
02/01/2042	-	-	6,885.00	6,885.00	-
08/01/2042	130,000.00	5.100%	6,885.00	136,885.00	-
09/30/2042	-	-	-	-	143,770.00
02/01/2043	-	-	3,570.00	3,570.00	-
08/01/2043	140,000.00	5.100%	3,570.00	143,570.00	-
09/30/2043	-	-	-	-	147,140.00
<b>Total</b>	<b>\$2,055,000.00</b>	<b>-</b>	<b>\$1,934,564.38</b>	<b>\$3,989,564.38</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars	\$40,007.25
Average Life	19.468 Years
Average Coupon	4.8355345%
Net Interest Cost (NIC)	4.9808994%
True Interest Cost (TIC)	5.0144953%
Bond Yield for Arbitrage Purposes	4.7874728%
All Inclusive Cost (AIC)	5.4116462%

**IRS Form 8038**

Net Interest Cost	4.8516183%
Weighted Average Maturity	19.459 Years



**South Buda Water Control & Improvement District No. 1****\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013****Proof Of Bond Yield @ 4.7874728%****Part 1 of 2**

<b>Date</b>	<b>Cashflow</b>	<b>PV Factor</b>	<b>Present Value</b>	<b>Cumulative PV</b>
12/19/2013	-	1.0000000x	-	-
08/01/2014	57,696.88	0.9712465x	56,037.90	56,037.90
02/01/2015	46,781.25	0.9485410x	44,373.93	100,411.83
08/01/2015	46,781.25	0.9263662x	43,336.57	143,748.40
02/01/2016	46,781.25	0.9047098x	42,323.46	186,071.85
08/01/2016	81,781.25	0.8835597x	72,258.62	258,330.47
02/01/2017	46,387.50	0.8629041x	40,027.96	298,358.44
08/01/2017	81,387.50	0.8427313x	68,587.80	366,946.23
02/01/2018	45,993.75	0.8230302x	37,854.24	404,800.48
08/01/2018	80,993.75	0.8037896x	65,101.93	469,902.41
02/01/2019	45,573.75	0.7849988x	35,775.34	505,677.74
08/01/2019	85,573.75	0.7666472x	65,604.88	571,282.62
02/01/2020	45,033.75	0.7487247x	33,717.88	605,000.51
08/01/2020	85,033.75	0.7312212x	62,178.48	667,178.99
02/01/2021	44,433.75	0.7141269x	31,731.34	698,910.33
08/01/2021	84,433.75	0.6974322x	58,886.82	757,797.15
02/01/2022	43,793.75	0.6811278x	29,829.14	787,626.29
08/01/2022	88,793.75	0.6652046x	59,066.01	846,692.30
02/01/2023	43,028.75	0.6496536x	27,953.78	874,646.08
08/01/2023	88,028.75	0.6344661x	55,851.26	930,497.34
02/01/2024	42,218.75	0.6196337x	26,160.16	956,657.50
08/01/2024	92,218.75	0.6051481x	55,806.00	1,012,463.50
02/01/2025	41,268.75	0.5910011x	24,389.88	1,036,853.38
08/01/2025	96,268.75	0.5771848x	55,564.86	1,092,418.24
02/01/2026	40,168.75	0.5636915x	22,642.78	1,115,061.02
08/01/2026	95,168.75	0.5505137x	52,391.70	1,167,452.72
02/01/2027	39,027.50	0.5376439x	20,982.90	1,188,435.62
08/01/2027	99,027.50	0.5250750x	51,996.86	1,240,432.48
02/01/2028	37,722.50	0.5127999x	19,344.09	1,259,776.57
08/01/2028	97,722.50	0.5008118x	48,940.58	1,308,717.15
02/01/2029	36,357.50	0.4891039x	17,782.60	1,326,499.75
08/01/2029	101,357.50	0.4776698x	48,415.41	1,374,915.16
02/01/2030	34,846.25	0.4665029x	16,255.88	1,391,171.04
08/01/2030	104,846.25	0.4555971x	47,767.65	1,438,938.69
02/01/2031	33,166.25	0.4449463x	14,757.20	1,453,695.89
08/01/2031	108,166.25	0.4345444x	47,003.04	1,500,698.93
02/01/2032	31,347.50	0.4243858x	13,303.43	1,514,002.36
08/01/2032	106,347.50	0.4144646x	44,077.27	1,558,079.64
02/01/2033	29,510.00	0.4047753x	11,944.92	1,570,024.56
08/01/2033	109,510.00	0.3953126x	43,290.68	1,613,315.24

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**South Buda Water Control & Improvement District No. 1****\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013****Proof Of Bond Yield @ 4.7874728%****Part 2 of 2**

<b>Date</b>	<b>Cashflow</b>	<b>PV Factor</b>	<b>Present Value</b>	<b>Cumulative PV</b>
02/01/2034	27,550.00	0.3860711x	10,636.26	1,623,951.49
08/01/2034	112,550.00	0.3770456x	42,436.48	1,666,387.97
02/01/2035	25,467.50	0.3682311x	9,377.93	1,675,765.90
08/01/2035	115,467.50	0.3596227x	41,524.73	1,717,290.63
02/01/2036	23,262.50	0.3512155x	8,170.15	1,725,460.78
08/01/2036	118,262.50	0.3430049x	40,564.61	1,766,025.40
02/01/2037	20,935.00	0.3349862x	7,012.94	1,773,038.33
08/01/2037	120,935.00	0.3271550x	39,564.48	1,812,602.82
02/01/2038	18,435.00	0.3195068x	5,890.11	1,818,492.92
08/01/2038	123,435.00	0.3120375x	38,516.34	1,857,009.27
02/01/2039	15,810.00	0.3047427x	4,817.98	1,861,827.25
08/01/2039	125,810.00	0.2976185x	37,443.39	1,899,270.63
02/01/2040	13,005.00	0.2906609x	3,780.04	1,903,050.68
08/01/2040	128,005.00	0.2838659x	36,336.25	1,939,386.93
02/01/2041	10,072.50	0.2772297x	2,792.40	1,942,179.32
08/01/2041	135,072.50	0.2707487x	36,570.70	1,978,750.03
02/01/2042	6,885.00	0.2644192x	1,820.53	1,980,570.55
08/01/2042	136,885.00	0.2582377x	35,348.86	2,015,919.42
02/01/2043	3,570.00	0.2522007x	900.36	2,016,819.77
08/01/2043	143,570.00	0.2463048x	35,361.98	2,052,181.75
<b>Total</b>	<b>\$3,989,564.38</b>	<b>-</b>	<b>\$2,052,181.75</b>	<b>-</b>

**Derivation Of Target Amount**

Par Amount of Bonds	\$2,055,000.00
Reoffering Premium or (Discount)	(2,818.25)
Original Issue Proceeds	\$2,052,181.75

**South Buda Water Control & Improvement District No. 1**

\$2,055,000.00 Unlimited Tax Road Bonds, Series 2013

**Derivation Of Form 8038 Yield Statistics**

<b>Maturity</b>	<b>Issuance Value</b>	<b>Price</b>	<b>Issuance Price</b>	<b>Exponent</b>	<b>Bond Years</b>
12/19/2013	-	-	-	-	-
08/01/2016	35,000.00	101.272%	35,445.20	2.6166667x	92,748.27
08/01/2017	35,000.00	100.867%	35,303.45	3.6166667x	127,680.81
08/01/2018	35,000.00	100.000%	35,000.00	4.6166667x	161,583.33
08/01/2019	40,000.00	100.000%	40,000.00	5.6166667x	224,666.67
08/01/2020	40,000.00	100.000%	40,000.00	6.6166667x	264,666.67
08/01/2021	40,000.00	100.000%	40,000.00	7.6166667x	304,666.67
08/01/2022	45,000.00	100.000%	45,000.00	8.6166667x	387,750.00
08/01/2023	45,000.00	100.000%	45,000.00	9.6166667x	432,750.00
08/01/2024	50,000.00	100.000%	50,000.00	10.6166667x	530,833.33
08/01/2025	55,000.00	100.000%	55,000.00	11.6166667x	638,916.67
08/01/2026	55,000.00	100.000%	55,000.00	12.6166667x	693,916.67
08/01/2027	60,000.00	100.000%	60,000.00	13.6166667x	817,000.00
08/01/2028	60,000.00	100.000%	60,000.00	14.6166667x	877,000.00
08/01/2029	65,000.00	100.000%	65,000.00	15.6166667x	1,015,083.33
08/01/2030	70,000.00	100.000%	70,000.00	16.6166667x	1,163,166.67
08/01/2031	75,000.00	100.000%	75,000.00	17.6166667x	1,321,250.00
08/01/2032	75,000.00	100.000%	75,000.00	18.6166667x	1,396,250.00
08/01/2033	80,000.00	99.353%	79,482.40	19.6166667x	1,559,179.75
08/01/2034	85,000.00	99.353%	84,450.05	20.6166667x	1,741,078.53
08/01/2035	90,000.00	98.649%	88,784.10	21.6166667x	1,919,216.30
08/01/2036	95,000.00	98.649%	93,716.55	22.6166667x	2,119,555.97
08/01/2037	100,000.00	100.000%	100,000.00	23.6166667x	2,361,666.67
08/01/2038	105,000.00	100.000%	105,000.00	24.6166667x	2,584,750.00
08/01/2039	110,000.00	100.000%	110,000.00	25.6166667x	2,817,833.33
08/01/2040	115,000.00	100.000%	115,000.00	26.6166667x	3,060,916.67
08/01/2041	125,000.00	100.000%	125,000.00	27.6166667x	3,452,083.33
08/01/2042	130,000.00	100.000%	130,000.00	28.6166667x	3,720,166.67
08/01/2043	140,000.00	100.000%	140,000.00	29.6166667x	4,146,333.33
<b>Total</b>	<b>\$2,055,000.00</b>	<b>-</b>	<b>\$2,052,181.75</b>	<b>-</b>	<b>\$39,932,709.63</b>

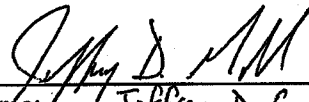
**IRS Form 8038**

Weighted Average Maturity = Bond Years/Issue Price	19.459 Years
Total Interest from Debt Service	1,934,564.38
Reoffering (Premium) or Discount	2,818.25
Total Interest	1,937,382.63
NIC = Interest / (Issue Price * Average Maturity)	4.8516183%
Bond Yield for Arbitrage Purposes	4.7874728%

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The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Subsection 4.6 of this Federal Tax Certificate are accurate.

**SPECIALIZED PUBLIC FINANCE INC.**

By:   
Printed Name: Jeffrey D. Garland  
Title: Director

CAUSE NO. D-1-GN-07-000924

EX PARTE SOUTH BUDA WATER  
CONTROL AND IMPROVEMENT  
DISTRICT NO. 1

§  
§  
§

IN THE DISTRICT COURT  
OF TRAVIS COUNTY, TEXAS  
250<sup>TH</sup> JUDICIAL DISTRICT

Filed in The District Court  
of Travis County, Texas

APR 23 2007

At 10:22 A.M.  
Amalia Rodriguez-Mendoza, Clerk

FINAL JUDGMENT

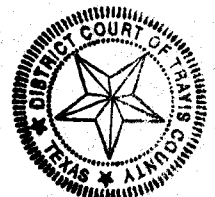
On the 23<sup>rd</sup> day of April, 2007, came on to be heard at proper time and in due order, the above-entitled and numbered cause, the same being the date and time set for hearing by Order of Court and Notice of Setting of Hearing dated March 28, 2007, heretofore entered in this cause.

And came the parties as follows:

1. South Buda Water Control and Improvement District No. 1, and the Board of Directors of said District, in their official capacities, all by their attorney of record, Mike Willatt; and
2. The Attorney General of Texas by written Original Answer.

And it appearing to the Court, and the Court so finds, that a copy of the Petition with all Exhibits attached and a copy of the Order of Court and Notice of Setting of Hearing dated March 28, 2007 have been served on the Attorney General as required by law, and that the District Clerk caused a copy of the above described Order to be published in the Austin American-Statesman, which is a newspaper of general circulation in Travis County, Texas, which is the county where South Buda and Water Control and Improvement District No. 1 maintains its principal office, and in Hays County, Texas, which is the only county in which the District has territory, which notice was published once in each of two consecutive calendar weeks, the first publication being not less than 14 days prior to April 23, 2007, the date stated in the Order referenced above as being the answer date and also the date set for hearing in the above-entitled and numbered cause, and the Attorney General having answered the Petition, no other parties having intervened, answered or appeared in said Court, and no other parties having appeared in Court at the time, date and place set for this hearing, it therefore appears, and the Court so finds, that it has jurisdiction of all persons hereafter identified to the same extent as if individually named as Defendants and personally served with process in this cause and are the subject matter of this suit.

The parties announced ready and proceeded to introduce their evidence after which all parties announced in open court that they rested their cases and the Court, having considered all the admissible testimony and evidence introduced, pleadings, legal argument and argument of counsel, being of the opinion the Plaintiff is entitled to judgment for all relief prayed for in its Original Petition, as is set out in more detail hereafter, it is, therefore,



ORDERED, ADJUDGED AND DECREED by the Court that:

(1) South Buda Water Control and Improvement District No. 1 (the "District") is an "Issuer," as that term is defined in Sec. 1205.001, Government Code, in that it is a political subdivision of the State of Texas and a conservation and reclamation district created and established pursuant to the laws of the State of Texas under Section 59, Article XVI of the Texas Constitution. It brings this action as a proceeding in rem, and a class action, filed in accordance with the provisions of Chapter 1205, Government Code, binding on all persons who:

- (A) reside in the territory of the District;
- (B) own property located within the boundaries of the District;
- (C) are taxpayers of the District; or
- (D) have or claim a right, title or interest in any property or money to be affected by the bonds that the District proposes to issue, or any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds.

The foregoing definition of the class is to be construed to reach and include all possible members of the class contemplated by Sec. 1205.041(a), Government Code.

(2) Jurisdiction of all interested parties has been obtained in this cause by the following:

- (A) In accordance with the provisions of Sec. 1205.041, Government Code, upon the filing of the petition in this cause, there was immediately made and issued an order in general terms in the form of a notice directed to directed to all persons who:
  - (i) reside in the territory of the District;
  - (ii) own property located within the boundaries of the District;
  - (iii) are taxpayers of the District; or
  - (iv) have or claim a right, title, or interest in any property or money to be affected by the bonds that the District proposes to issue, or any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds.

The order, in general terms and without naming them, advised the persons described by the foregoing subsection (A) and the Attorney General of their right to appear for trial at 10:00 a.m. on



the first Monday after the 20<sup>th</sup> day after the date of the order, and show cause why the Petition should not be granted and the bonds proposed to be issued by the District, and any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds be validated and confirmed. The order gave a general description of the Petition but was not required to contain the entire petition or any exhibit attached to the Petition.

(B) A copy of the Petition with all attached exhibits and a copy of the order issued under Sec. 1205.041(a), Government Code was served on the Attorney General before the 20<sup>th</sup> day before the trial date.

(C) The clerk of the court gave notice by causing a substantial copy of the above-described order to be published in the Austin American-Statesman, a newspaper of general circulation in Travis County, Texas, which is the county in which the District maintains its principal office and in Hays County, Texas, which is the only county in which the District has territory. The notice was published once in each of two consecutive calendar weeks, with the date of the first publication being before the 14<sup>th</sup> day before the trial date.

The effect of notice given as described above was that all persons who reside in the territory of the District, own property located within the boundaries of the District; are taxpayers of the District; or have or claim a right, title or interest in any property or money to be affected by the bonds that the District proposes to issue, or any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds are a party to this action, and the Court has jurisdiction over each such person to the same extent as if that person were individually named and personally served in the action.

(3) The District was legally and validly created by order of the Commissioners Court of Hays County, Texas (hereafter called the "Commissioners Court") dated January 25, 2005.

(4) The District was granted additional powers, and its boundaries were amended, by the legislature of the State of Texas, by Acts 2005, 79<sup>th</sup> Leg., Chs. 429 and 1323. These two Acts are essentially identical, but to the extent there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These two acts are now codified at Chapter 9004. South Buda Water Control and Improvement District No. 1, Special District Local Laws Code.

(5) The District is a legally organized, established and existing water control and improvement district that has all of the rights, powers, privileges, authority, functions, and duties provided by the general law of this state, including Chapters 30, 49, 50 and 51, including Sec. 51.331, Water Code, applicable to water control and improvement districts created under Section 59, Article XVI, Texas Constitution.

(6) The District may purchase, install, operate, and maintain street lighting or security lighting within public utility easements or public rights-of-way within the boundaries of the District.



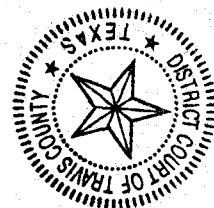
(7) The District has all of the rights, powers, privileges, authority, functions, and duties provided by the general law of this state, including Chapter 441, Transportation Code, applicable to road utility districts created under the authority of Article III, Section 52, Texas Constitution.

(8) In the event of any conflict between the provisions of the Water Code and the general laws of this State applicable to the District and the provisions of Chapter 441, Transportation Code, the provisions of the Water Code and the general laws of this State applicable to the District shall prevail.

(9) The District held a confirmation election, director's election, bond election and maintenance tax election on November 8, 2005. The results of those elections were canvassed by an order adopted November 17, 2005. The election was duly ordered, proper notice of the election was given, proper election officers were duly appointed prior to the election, the election was duly held, the District has complied with the Federal Voting Rights Act and the Texas Election Code, due returns of the results of the election were made and delivered, and the Board of Directors duly canvassed the returns, all in accordance with law and the order calling the election.

(10) Pursuant to the November 8, 2005 bond election, the District is authorized to issue the bonds of the District in one or more issues or series in the maximum amount of \$78,000,000 maturing serially or otherwise in such installments as are fixed by said Board of Directors of the District over a period or periods not exceeding forty (40) years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate on any issue or series shall not exceed the maximum legal limit in effect at the time of issuance of each issue or series of bonds, all as may be determined by the Board of Directors of said District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, maintaining, improving or extending inside and outside its boundaries a waterworks system, wastewater system, drainage and storm sewer system (including water quality facilities), including, but not limited to, all additions to such systems and all works, improvements, facilities, land, plants, equipment, appliances, interests in property, and contract rights needed therefor and all organizational, administration and operating costs during creation and construction periods, and to refund any bonds or other evidences of indebtedness issued by the District for any of the foregoing purposes or refunding purposes in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District, all as now and hereafter authorized by the constitution and laws of the State of Texas.

(11) The District is also authorized to issue the bonds of the District in one or more issues or series in the maximum amount of \$6,000,000 maturing serially or otherwise in such installments as are fixed by said Board of Directors of the District over a period or periods not exceeding fifty (50) years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, on any issue or series shall not exceed the maximum legal limit in effect at the time of issuance of each issue or series of bonds, all as may





be determined by the Board of Directors of said District, for the purpose or purposes of constructing, acquiring or improving District road facilities, as that term is defined in Sec. 441.001(6), Transportation Code, and to refund any bonds or other evidences of indebtedness issued by the District for any of the foregoing purposes or refunding purposes in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District, all as now or hereafter authorized by the constitution and laws of the State of Texas.

(12) The District is authorized to levy and collect a maintenance tax not to exceed one dollar (\$1.00) per \$100 valuation on all taxable property within the District to secure funds for maintenance purposes, including funds for planning, constructing, acquiring, maintaining, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the District and for paying costs of proper services, engineering and legal fees, and organization and administrative expenses all as further provided by the Texas Water Code, as amended.

(13) The District has entered into that certain CONSENT AND DEVELOPMENT AGREEMENT by and between the City of Buda, Texas (the "City"), South Buda Water Control and Improvement District No. 1 (the "District"), The Meadows at Buda, Ltd., a Texas limited partnership ("Meadows"), Lennar Buffington Horton, L.P., also a Texas limited partnership ("Len-Buf") and NewStand Buda, Ltd. ("NewStand"), a Texas limited partnership, with Effective Date November 2, 2005. That contract is a lawful, valid contract binding on the parties thereto pursuant to its terms. Pursuant the November 8, 2005 bond election the District is authorized to issue bonds to pay or reimburse the costs of the construction of wastewater facilities constructed by or on behalf of the District pursuant to that contract, and to pay or reimburse the costs of City of Buda wastewater impact fees paid pursuant to that contract.

(14) The District has entered into that certain WATER SERVICES AGREEMENT BETWEEN MONARCH UTILITIES I, L.P. AND SOUTH BUDA WCID NO. 1, by and between the District and Monarch Utilities I, L.P., with Effective Date October 25, 2006. That contract is a lawful, valid contract binding on the parties thereto pursuant to its terms. Pursuant the November 8, 2005 bond election the District is authorized to issue bonds to pay or reimburse the costs of the construction of water facilities constructed by or on behalf of the District pursuant to that contract, and to pay or reimburse the costs of Monarch LUE fees paid pursuant to that contract.

(15) The District has entered into that certain NON-STANDARD WATER UTILITY SERVICE AGREEMENT BY AND BETWEEN GOFORTH WATER SUPPLY CORPORATION AND SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, by and between the District and Goforth Water Supply Corporation, with Effective Date April 7, 2006. That contract is a lawful, valid contract binding on the parties thereto pursuant to its terms. Pursuant the November 8, 2005 bond election the District is authorized to issue bonds to pay or reimburse the costs of the construction of water facilities constructed by or on behalf of the District pursuant to that contract, and to pay or reimburse the costs of Major Facilities Costs and Capital Contribution



Fees, as those terms are defined in that contract, that are paid pursuant to that contract.

(16) The District has entered into certain utility construction agreements, as follows:

(A) UTILITY CONSTRUCTION AGREEMENT BETWEEN SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 AND NEWSTAND BUDA, LTD., NEWMARK HOMES, L.P. AND STANDARD PACIFIC OF TEXAS, L.P., with effective date October 27, 2005.

(B) UTILITY CONSTRUCTION AGREEMENT BETWEEN SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, LEN-BUF LAND ACQUISITIONS OF TEXAS, L.P., AND THE MEADOWS AT BUDA, LTD., with effective date April 3, 2006.

(C) UTILITY CONSTRUCTION AGREEMENT BETWEEN SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 AND THE MEADOWS AT BUDA COMMERCIAL, LTD., with effective date February 13, 2006.

(D) CONSTRUCTION AND REIMBURSEMENT AGREEMENT BETWEEN SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 AND THE MEADOWS AT BUDA COMMERCIAL, LTD., with effective date October 25, 2006.

Each of those four contracts are lawful, valid contracts binding on the parties thereto pursuant to their terms.

(17) On May 15, 2006 the District adopted an ORDER ANNEXING LAND AND REDEFINING THE DISTRICT BOUNDARIES. As a result of that order the current boundaries of the District are as shown on Exhibit "A" attached hereto.

(18) To exercise its powers as a road utility district, the District must submit a preliminary plan for each road facility the District is to construct, acquire or improve, and must have the plan reviewed and approved pursuant to the procedures set forth in Secs. 441.013 through 441.017, Transportation Code.

(19) In the exercise of its powers as a road utility district, the District is not subject to the supervision or jurisdiction of the Texas Department of Transportation nor is the District subject to the supervision or jurisdiction of the Texas Transportation Commission. To exercise its powers as a road utility district, the District is not required to submit a petition with the Texas Transportation Commission, as described in Sec. 441.018, et seq., Transportation Code, nor is the District required to have the preliminary plan described in the foregoing paragraph approved by the Texas Transportation Commission in the manner described in Sec. 441.020 through Sec. 441.027, Transportation Code. The provision of Sec. 441.035(d), Transportation Code requiring the filing of bond election results with the Texas Transportation Commission is not applicable to the District.



(20) The current location of Hays County Road 132 ("CR 132") is shown on Exhibit "B" attached hereto. It bisects The Meadows at Buda residential development which is within the District. CR 132 has heavy gravel and cement truck traffic which is inappropriate for passage through the middle of a residential community. The District, the City of Buda, Texas (the "City"), and the Commissioners Court want to relocate CR 132 as shown on Exhibit "B" so that it will be an arterial road that is a benefit to the District, the City and the Commissioners Court as hereafter explained.

(21) The Meadows at Buda Commercial, Ltd. has participated, and is participating with the City of Buda in the City of Buda, Texas Contract for Construction of Buda Truck Route - CR 132 with the contract documents, plans and specifications prepared by Lockwood, Andrews and Newnam, Inc., as LAN Project No. 160-10148-400, dated September 19, 2006 (the "Construction Contract").

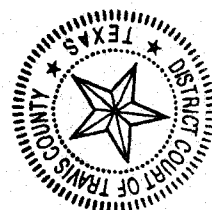
The construction documents provide for construction of that part of relocated CR 132 that is north of and outside of the District, as shown on Exhibit "B," attached hereto, and that part of relocated CR 132 that is shown to be within the District on Exhibit "C" attached hereto, and the temporary access road shown on Exhibit "C" which connects relocated CR 132 to the IH-35 feeder road. The remaining part of relocated CR 132 between that part being constructed now and IH-35 will be constructed by the Texas Department of Transportation (TxDOT) when TxDOT constructs the IH-35 overpass.

The "District Portion" of relocated CR 132 consists of that part of relocated CR 132 that is within the District, as shown on Exhibit "C" attached hereto. The "City Portion" of relocated CR 132 is the northern part of relocated CR 132 that is shown on Exhibit "B" that is outside the District. The City is constructing relocated CR 132, with the City paying for the cost of construction of the City Portion and The Meadows at Buda Commercial, Ltd. paying for the cost of the District Portion, except that the City provided engineered base for all of the project.

(22) The Meadows at Buda Commercial, Ltd. holds fee title to the land on which the District Portion of relocated CR 132 is being constructed. The City holds title to the land on which City Portion of relocated CR 132 is being constructed.

(23) The District, using its road utility district powers, intends to acquire the District Portion of relocated CR 132. The District will convey the District Portion of relocated CR 132 and the remainder of the 5.85 acre tract shown on Exhibit "C" attached hereto, to the Commissioners Court, in accordance with the procedures set forth in Chapter 441, Transportation Code. Title to the remaining part of relocated CR 132 shall be conveyed by the City to the Commissioners Court.

(24) Funds for the District Portion of relocated CR 132 have been and are being provided by The Meadows at Buda Commercial, Ltd., in return for future bond reimbursement, pursuant to the Construction and Reimbursement Agreement between South Buda Water Control and Improvement District No. 1 and The Meadows at Buda Commercial, Ltd., with effective date October 25, 2006.



(25) The District portion of Relocated CR 132 is to the advantage of the District because:

A. The relocation of CR 132 will be an arterial road that will allow appropriate development of The Meadows at Buda as an undivided residential community, resulting in increased assessed value of properties within the District.

B. The District Portion of relocated CR 132 is within that part of the District that is to be developed for commercial use, and it will enhance development of that commercial development because it will provide convenient access to IH-35 and to downtown Buda. When TxDOT completes the remainder of the relocation of CR132 it will provide access from the District to IH-35. It will connect to the new IH-35 crossing that is to be constructed by TxDOT adjacent to the District. Currently access to the District from IH-35 is from exits that are significantly north and south of the District. The District has annexed the Horton Tract, which is shown on Exhibit "B," and which is on the other side of IH-35 from the original District. Extending relocated CR 132 to IH-35 will allow convenient access between the eastern and western parts of the District.

The relocation of CR 132 will benefit the City because, currently, the peace and tranquility of downtown Buda is impaired by the frequent passage of cement and gravel trucks. Relocating CR 132 will divert the cement and gravel trucks from downtown Buda.

(26) On May 4, 2005, the District filed with the City of Buda, Texas its Hays County Road No. 132 Realignment and Expansion Roadway Plan sealed by engineer David W. Gray on April 21, 2006 (the "Preliminary Plan"), for acquisition by the District of the District Portion of relocated CR 132 and subsequent conveyance of that road facility to Hays County, Texas. The Preliminary Plan was the District's preliminary plan, as that term is used in Sec. 441.013, Transportation Code. In the Preliminary Plan, the District agreed in writing to comply with the City's requirements for construction, acquisition or improvement of a road facility in the City's extraterritorial jurisdiction. On August 2, 2006 the City Council of the City of Buda, Texas adopted a resolution approving that plan, with certain amendments. The resolution constituted a written statement approving the plan as complying with the City's requirements. The resolution was issued to the District and to the Commissioners Court.

(27) On May 5, 2005, the District filed the Preliminary Plan with the Commissioners Court. On August 8, 2006 the Commissioners Court adopted a resolution approving that plan, with certain amendments, a copy of which resolution has been filed amongst the exhibits received in this case. In that resolution the Commissioners Court determined that the plan met the Commissioners Court's requirements and that the plan, as amended, should be approved and that the Commissioners Court should accept conveyance of the District Portion of relocated CR 132 as provided by Chapter 441, Transportation Code. The resolution made changes necessary to make the plan comply with the Commissioners Court's requirements. The resolution constituted an order approving the Preliminary Plan and a copy of the resolution was delivered to the District. The order stated that the Commissioners Court approved the Preliminary Plan and will accept conveyance of the District Portion of relocated CR 132 on acquisition or on completion of construction or improvement.



(28) The District retains the authority to amend the Plan. Because of the delay in the proceedings, the District has adopted its Resolution Concerning Hays County Road No. 132 Realignment and Expansion Roadway Plan, a copy of which is attached hereto as Exhibit "D." The District will request approval of the second amended Preliminary Plan by the City of Buda and the Commissioners Court.

(29) The City of Buda retains the authority to approve the second amended Preliminary Plan. Commissioners Court retains the authority to approve the second amended Preliminary Plan at any time.

(30) After approval of the second amended Preliminary Plan the District intends to enter into the CR 132 Agreement by and among the Commissioners Court, the City of Buda, Texas, South Buda Water Control and Improvement District No. 1 and The Meadows at Buda Commercial, Ltd., substantially in the form of that attached hereto as Exhibit "C" to the Resolution Concerning Hays County Road No. 132 Realignment and Expansion Roadway Plan, a copy of which is attached hereto as Exhibit "D." When executed by the parties thereto that CR 132 Agreement will be a lawful, valid contract binding on the parties thereto pursuant to its terms.

(31) The proposed CR 132 Agreement provides that The Meadows at Buda Commercial, Ltd. will convey title to the District Portion of relocated CR 132, and the remainder of the 5.85 acre tract shown on Exhibit "C" attached hereto to, the District, in return for the District's obligation to issue bonds at a later time to reimburse The Meadows at Buda Commercial, Ltd. for its cost of constructing the District Portion of relocated CR 132 pursuant to the Construction and Reimbursement Agreement between South Buda Water Control and Improvement District No. 1 and The Meadows at Buda Commercial, Ltd., with effective date October 25, 2006, as authorized by Secs. 441.101 and 441.111, Transportation Code. The Meadows at Buda Commercial, Ltd. cost of constructing the District Portion of relocated CR 132 includes its cost of constructing the District Portion of Relocated CR 132 and its cost of constructing the temporary access road shown on Exhibit "C."

It also provides that, upon completion of acquisition of the District Portion of relocated CR 132 by the District, the District's monitor shall submit a written report to the Board and to the Commissioners Court, as required by Sec. 441.117, Transportation Code. The report must show whether the District Portion of relocated CR 132 complies with:

1. the District's plan approved by the Commissioners Court;
2. the Construction Contract; and
3. the requirements of the Commissioners Court.

(32) After receiving that report, the Board of Directors of the District shall give notice of and hold a public hearing, as required by Sec. 441.131, Transportation Code, to determine whether



the District Portion of relocated CR 132:

1. is complete as required by the District's plans and the contract; and
2. should be conveyed to the Commissioners Court.

At the hearing, the Board may require the presentation of additional information or testimony necessary to make a determination. A representative of the Commissioners Court may present information and testimony that the Commissioners Court considers necessary. A representative of the City may present information and testimony that the City considers necessary.

As authorized by Sec. 441.132, Transportation Code, if the Board determines at the end of the hearing that the work on the District Portion of relocated CR 132 is complete and that the District Portion of relocated CR 132 should be conveyed to the Commissioners Court, the Board shall order the conveyance subject to the requirements of Chapter 441, Transportation Code.

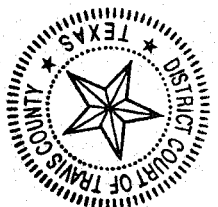
(33) The District shall convey the District Portion of relocated CR 132 and the remainder of the 5.85 acre tract shown on Exhibit "C" attached hereto to the Commissioners Court, free and clear of all District indebtedness, on completion and approval by the Board of the acquisition.

(34) As provided by Sec. 441.135, Transportation Code, after conveyance to the Commissioners Court of the District Portion of relocated CR 132 by the District, and the City portion of relocated CR 132 by the City, the County Commissioners Court will be the sole owner of and have jurisdiction and sole control over the relocated CR 132. After the conveyance, the Commissioners Court is responsible for all maintenance of the relocated CR 132 and the District shall not be responsible for the relocated CR 132 or its maintenance. This section does not affect the Commissioners Court's authority to alter, relocate, close or discontinue maintenance of the road facility as provided by law.

(35) As provided by Sec. 441.136, Transportation Code, conveyance of the District Portion of relocated CR 132 to the Commissioners Court shall not affect:

1. the sole responsibility of the District to pay in full the principal of and interest and any premium on any outstanding District bonds or other indebtedness; or
2. the District's responsibility to perform the obligations provided by the orders or resolutions authorizing its bonds or other indebtedness.

(36) As authorized by Sec. 441.101 and Sec. 441.171, Transportation Code, and pursuant to the Construction and Reimbursement Agreement between South Buda Water Control and Improvement District No. 1 and The Meadows at Buda Commercial, Ltd., with effective date October 25, 2006, the District, in payment for its acquisition of title to the District Portion of relocated CR 132, may issue and sell bonds to reimburse The Meadows at Buda Commercial, Ltd. for the money



spent to construct the District Portion of relocated CR 132 and the temporary access road shown on Exhibit "C."

(37) The bonds described and authorized in the foregoing provisions of this judgment, and all proceedings taken or proposed to be taken in connection therewith, are validated and confirmed; and, said bonds shall be submitted for approval to the Attorney General of Texas, and, if approved by the Attorney General, those bonds, when issued and delivered to the purchaser thereof, shall constitute lawful and valid obligations of the District enforceable according to their respective terms; and all provisions for the payments of said bonds and interest thereon are validated and confirmed.

(38) The District has the authority on the terms set out in the petition to issue the bonds that the District proposes to issue and to take each action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting the bonds that the District proposes to issue, and each action or proceeding by the District that has been taken or made in connection with or affecting the bonds that the District proposes to issue, and each expenditure of money that the District has made relating to the bonds that the District proposes to issue was legal.

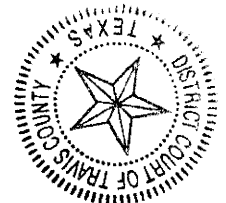
(39) This judgment, as to each adjudicated matter and each matter that could have been raised is binding and conclusive against the District, the attorney general, the comptroller and each party to the action, whether: (A) named and served with notice of these proceedings; or (B) included in the following description:

"All persons who reside in the territory of the District; own property located within the boundaries of the District; are taxpayers of the District; or have or claim a right, title, or interest in any property or money to be affected by the bonds of the District, or any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds."

and this judgment is a permanent injunction against the filing by any person or entity of any proceeding contesting the validity of: (i) the bonds of the District, or any action or proceeding by the District taken, made, or proposed to be taken or made in connection with or affecting those bonds, or an expenditure of money relating to those bonds; (ii) each provision made for the payment of those bonds or any interest on the bonds; and (iii) or any adjudicated matter and any matter that could have been raised in this action.

(40) The District may have written on the bonds that it proposes to issue the following certificate:

"This obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; Ex Parte South Buda Water Control and Improvement District No. 1; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation."



The Secretary, or other official of the District may sign the certificate.

(41) All costs of this action are taxed against the District, for which let execution issue.

SIGNED on this 23<sup>rd</sup> day of April, 2007

By: Margaret A. Cooper  
Judge of the 353rd Judicial Court  
Of Travis County, Texas





## LIST OF EXHIBITS

- EXHIBIT "A" - South Buda Water Control and Improvement District No. 1 Boundary Description
- EXHIBIT "B" - Hays County Road No. 132 Relocation Map
- EXHIBIT "C" - District Portion of Hays County Road 132 Relocation, Temporary Access Road, and Connection to be Constructed by TxDOT
- EXHIBIT "D" - Resolution Concerning Hays County Road No. 132 Realignment and Expansion Roadway Plan



EXHIBIT "B" TO ORDER ANNEXING LAND AND  
REDEFINING THE DISTRICT BOUNDARIES

The District consists of two non-contiguous tracts of land, one a 195.47 acre tract, and the other a 213.897 acre tract, more particularly described in the following pages.

EXHIBIT "A"



BEING A 195.47 ACRE TRACT OF LAND SITUATED IN THE JACOB LENTZ SURVEY NO. 32, ABSTRACT NO. 284, AND THE D. D. BURNETT SURVEY NO. 5, ABSTRACT NO. 54, BOTH OF HAYS COUNTY, TEXAS, BEING A PART OF THAT CERTAIN 115.351 ACRE TRACT OF LAND AS DESCRIBED IN A DEED TO THE MEADOWS OF BUDA, LTD., OF RECORD IN VOLUME 2418, PAGE 79 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, BEING ALSO A PART OF THAT CERTAIN 85.24 ACRE TRACT OF LAND DESCRIBED AS EXHIBIT "A", A PART OF THAT CERTAIN 4.64 ACRE TRACT OF LAND DESCRIBED AS EXHIBIT "C" AND ALL OF THAT CERTAIN 6.86 ACRE TRACT OF LAND DESCRIBED AS EXHIBIT "B" ALL IN A DEED TO THE MEADOWS AT BUDA, LTD., OF RECORD IN VOLUME 2484, PAGE 696 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, AND BEING A PART OF COUNTY ROAD 132, A NON-DEDICATED RIGHT-OF-WAY, SAID 195.47 ACRE TRACT BEING DESCRIBED BY METES AND BOUNDS AS FOLLOWS;

BEGINNING at a ½ inch iron rod found for the northeast corner of said 115.351 acre tract of land, being also the northwest corner of Lot 8, Block A of Park South, Section 1 a subdivision of record in Cabinet 8, Slides 397-399 of the Plat Records of Hays County, Texas, being also a southeast corner of Lot 9, Block A of said Park South, Section 1 and being the northeast corner of the herein described tract;

THENCE S 02°31'36" E, with the east line of said 115.351 acre tract, the west line of said Park South, Section 1 and the east line of the herein described tract, for a distance of 1385.72 feet to a calculated angle point;

THENCE departing the west line of said Park South, Section 1 and over and across said 115.351 acre tract, with the east line of the herein described tract, the following four (4) courses and distances;

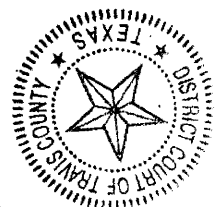
1. S 87°28'24" W for a distance of 271.77 feet to a calculated angle point,
2. S 21°35'33" W for a distance of 34.84 feet to a calculated angle point,
3. S 38°41'50" W for a distance of 601.56 feet to a calculated angle point, and
4. S 02°17'01" E for a distance of 328.93 feet to a calculated angle point being in the south line of said 115.351 acre tract and being in the north line of said County Road 132;

THENCE N 87°41'08" E, with the south line of said 115.351 acre tract and the north line of said County Road 132, for a distance of 108.72 feet to a calculated angle point for the southeast corner of said 115.351 acre tract and being in the west line of Interstate Highway 35, a varying width right-of-way;

THENCE S 20°57'28" W, departing the south line of said 115.351 acre tract and over and across said County Road 132, for a distance of 39.60 feet to a concrete monument found for the northeast corner of said 4.64 acre Exhibit "C" and being in the south line of said County Road 132;

THENCE S 87°32'17" W, with the south line of said County Road 132 and the north line of said 4.64 acre Exhibit "C", for a distance of 100.00 feet to a calculated angle point;

THENCE S 02°19'10" E, departing the south line of said County Road 132 and over and across said 4.64 acre tract of land described as Exhibit "C", for a distance of 703.41 feet to a



calculated angle point in the south line of said 4.64 acre tract of land described as Exhibit "C" and being in the north line of a remainder parcel of that certain 122.05 acre tract of land as described in a deed to Cecil H. Hale of record in Volume 1691, Page 883 of the Deed Records of Hays County, Texas;

THENCE S 87°36'55" W, with the south line of said 4.64 acre tract of land described as Exhibit "C" and the north line of a remainder parcel of said 122.05 acre tract, for a distance of 137.42 feet to a calculated angle point for the southwest corner of said 4.64 acre tract of land described as Exhibit "C", being also the northeast corner of a remainder parcel of said 122.05 acre tract, being also the southeast corner of said 6.86 acre tract of land described as Exhibit "B";

THENCE S 21°50'11" W, with the east line of said 6.86 acre tract of land described as Exhibit "B" and the west line of a remainder parcel of said 122.05 acre tract, for a distance of 696.78 feet to a calculated angle point for the southwest corner of a remainder parcel of said 122.05 acre tract and being in the east line of said 85.24 acre tract of land described as Exhibit "A";

THENCE S 26°39'48" W, departing the southwest corner of the remainder of said 122.05 acre tract and over and across said 85.24 acre tract of land described as Exhibit "A" for a distance of 60.21 feet to a calculated angle point for the northwest corner of a remainder parcel of said 122.05 acre tract;

THENCE S 21°50'11" W, with the east line of said 85.24 acre tract of land described as Exhibit "A" and the west line of a remainder parcel of said 122.05 acre tract, for a distance of 868.10 feet to a calculated angle point for the southeast corner of the herein described tract, being also the southeast corner of said 85.24 acre tract of land described as Exhibit "A", being also the southwest corner of a remainder parcel of said 122.05 acre tract and being in the north line of that certain 3.310 acre tract of land described as Tract One in a deed to J. A. Aquinie Family Partnership, LTD., of record in Volume 13332, Page 57 of the Deed Records of Hays County, Texas;

THENCE S 87°59'00" W, with the south line of the herein described tract, the south line of said 85.24 acre tract of land described as Exhibit "A" and the north line of said 3.310 acre Tract One, for a distance of 1401.50 feet to a calculated angle point for the southwest corner of the herein described tract, being also the southwest corner of said 85.24 acre tract of land described as Exhibit "B", and being the southeast corner of that certain 0.23 acre tract of land described as Exhibit "D" in said deed to The Meadows at Buda, LTD.;

THENCE N 01°52'52" W, with the east line of said 0.23 acre tract of land described as Exhibit "D", the west line of the herein described tract and the west line of said 85.24 acre tract of land described as Exhibit "A", for a distance of 1070.12 feet to a calculated angle point for the northeast corner of a remainder parcel of said 122.05 acre tract;

THENCE N 01°53'08" W, departing the northeast corner of a remainder parcel of said 122.05 acre tract and over and across said 85.24 acre tract of land described as Exhibit "A", for a distance of 75.00 feet to a calculated angle point for the southeast corner of a remainder parcel of said 122.05 acre tract;



THENCE N 01°37'51" W, with the west line of said 85.24 acre tract of land described as Exhibit "A" and the east line of a remainder parcel of said 122.05 acre tract, for a distance of 1026.22 feet to a calculated point in the south line of said County Road 132 and being in the north line of said 85.24 acre tract of land described as Exhibit "A";

THENCE S 87°32'17" W, with the south line of said County Road 132 and the north line of said 85.24 acre tract, for a distance of 182.05 feet to a calculated angle point for the northwest corner of said 85.24 acre tract and being at the intersection of the south line of said County Road 132 and the east line of Loop 4, an 80 foot wide right-of-way;

THENCE N 30°33'02" E, departing the north line of said 85.24 acre tract of land described as Exhibit "A" and with the east line of said Loop 4, for a distance of 50.53 feet to a calculated angle point at the intersection of the north line of said County Road 132 and the east line of said Loop 4 and being the southwest corner of the remainder parcel of that certain 320 acre tract of land as described in a deed to John Howe of record in Volume 2482, Page 79 of the Deed Records of Hays County, Texas;

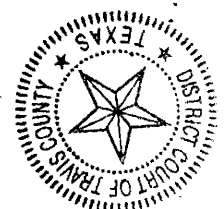
THENCE N 87°32'17" E, with the north line of said County Road 132 and the south line of the remainder parcel of said 320 acre tract, for a distance of 114.35 feet to a calculated angle point for the southeast corner of the remainder parcel of said 320 acre tract and being the southwest corner of said 115.351 acre tract;

THENCE N 87°41'08" E, with the north line of said County Road 132 and the south line of said 115.351 acre tract, for a distance of 313.48 feet to a calculated angle point;

THENCE N 01°50'53" W, departing the north line of said County Road 132 and over and across said 115.351 acre tract, for a distance of 1426.35 feet to a calculated point for the most westerly corner of the herein described tract, being also in a north line of said 115.351 acre tract and being in the south line of that certain 1.50 acre tract of land as described in a deed to Jimmy R. Brewington of record in Volume 248, Page 763 of the Deed Records of Hays County, Texas;

THENCE N 87°26'16" E, with the north line of the herein described tract, a north line of said 115.351 acre tract and the south line of said 1.50 acre tract, for a distance of 1204.05 feet to a ½ inch iron rod found for the southeast corner of that certain 20.50 acre tract of land as described in a deed to Houston GBC, LTD., of record in Volume 2554, Page 256 of the Deed Records of Hays County, Texas;

THENCE N 02°28'52" W, with a west line of the herein described tract, a west line of said 115.351 acre tract and the east line of said 20.50 acre tract, for a distance of 767.88 feet to a ½ inch iron rod found for the northeast corner of said 20.50 acre tract, being also the most northerly northwest corner of said 115.351 acre tract, being also the most northerly northwest corner of the herein described tract and being in the south line of that certain 198.26 acre tract of land as described in a deed to Penbur Farms, Inc., of record in Volume 1093, Page 278 of the Deed Records of Hays County, Texas;



THENCE N 87°33'08" E, with the north line of the herein described tract, the north line of said 115.351 acre tract and the south line of said 198.26 acre tract, for a distance of 1307.63 feet to an iron pipe found for the southeast corner of said 198.26 acre tract, being also the southwest corner of said Lot 9, Block A of said Park South, Section 1 and being an angle point in the north line of said 115.351 acre tract;

THENCE N 88°27'00" E, continuing with the north line of said 115.351 acre tract and with the south line of said Lot 9, Block A, for a distance of 75.73 feet to the POINT OF BEGINNING and containing 195.47 acres, more or less.



JAMES HERDMAN SURVEY  
ABSTRACT NO. 231

VOLUME 1025, PAGE 1  
D.R.H.C.T.  
N87°33'05"E 1807.85'

ROBERT L. WILLIAMS, JR.  
(5.0 ACRES)  
TRACT 2  
VOLUME 1227, PAGE 689  
D.R.H.C.T.

HOUSTON SEC. LTD.  
(20.50 ACRES)  
VOLUME 2554, PAGE 256  
D.R.H.C.T.

N02°30'58"W  
707.80'

N87°26'18"E 1204.05'

THE MEADOWS AT BUDA, LTD.  
(115.351 ACRES)  
VOLUME 2482, PAGE 79  
D.R.H.C.T.

195.47 ACRES

10.10 ACRE  
DIRECTURE LOT

STATE HIGHWAY COMMISSION  
VOL. 158, PAGE 553  
D.R.H.C.T.

JOHN HOWE  
(320 ACRES)  
REMAINDER TRACT  
VOLUME 2482, PAGE 79  
D.R.H.C.T.

N01°50'59"W 1426.95'

JACOB LENTZ SURVEY NO. 32  
ABSTRACT NO. 284

COUNTY ROAD 132  
(NO DEDICATED ROW)

THE MEADOWS AT BUDA, LTD.  
(6.85 ACRES)  
EXHIBIT "B"  
VOLUME 2484, PAGE 695  
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.  
(4.54 ACRES)  
EXHIBIT "C"  
VOLUME 2484, PAGE 695  
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.  
(85.24 ACRES)  
EXHIBIT "A"  
VOLUME 2484, PAGE 695  
D.R.H.C.T.

D. O. BURNETT SURVEY NO. 5  
ABSTRACT NO. 54

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1691, PAGE 883  
D.R.H.C.T.

N01°37'51"W 1020.23'

N01°52'52"W 1070.12'

THE MEADOWS AT BUDA, LTD.  
(0.23 ACRES)  
EXHIBIT "D"  
VOLUME 2484, PAGE 695  
D.R.H.C.T.

JAMES MICHAEL  
BERTON, JR.  
(2.35 ACRES)  
VOLUME 689, PAGE 185  
D.R.H.C.T.

J. A. ADQUIRRE FAMILY  
PARTNERSHIP, LTD.  
(2.010 ACRES)  
TRACT TWO

J. A. ADQUIRRE FAMILY  
PARTNERSHIP, LTD.  
(2.510 ACRES)  
TRACT ONE  
VOLUME 15332, PAGE 57  
D.R.H.C.T.

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1691, PAGE 883  
D.R.H.C.T.

CECIL H. HALE  
(122.05 ACRES)  
REMAINDER TRACT  
VOLUME 1691, PAGE 883  
D.R.H.C.T.

L. H. 35  
(ROW VARIES)

L. H. 35  
(ROW VARIES)

G. HENDER SURVEY

W. A. MOORE SURVEY



DESCRIPTION

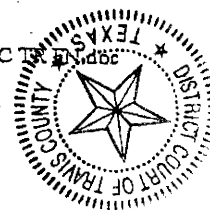
DESCRIPTION OF 213.897 ACRES OF LAND SITUATED IN THE GEORGE HERDER SURVEY NO. 537, ABSTRACT NO. 239 IN HAYS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED IN DEED TO WILMOT ROBERDEAU HORTON AND JOHN COLEMAN HORTON OF RECORD IN VOLUME 1314, PAGE 375 OF THE OFFICIAL PUBLIC RECORDS OF HAYS COUNTY, TEXAS; SAID 213.897 ACRES OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a 1/2 inch iron rod found in the west right-of-way line of County Road 119 also known as Old Goforth Road (R.O.W. varies), for the northeast corner of said Horton tract, the southeast corner of that certain tract of land described as Tract 3 in a deed to Keesee Partners, Ltd., of record in Volume 1795, Page 101 of the Official Public Records of Hays County, Texas, and for the northeast corner and POINT OF BEGINNING of the herein described tract;

THENCE with the west line of said County Road 119, the east line of said Horton tract, and the east line of the herein described tract, S01°56'06"E a distance of 1538.50 feet to a 1/2 inch iron rod with aluminum cap set for the northeast corner of that certain tract of land described in deed to Southwestern Bell Telephone Company of record in Volume 124, Page 258, of the Deed Records of Hays County, Texas, an exterior ell corner of said Horton tract, and an exterior ell corner of the herein described tract, from which 1/2 inch iron rod found bears N82°17'32"E a distance of 3.09 feet;

THENCE with the north line of said Southwestern Bell tract, S88°03'54"W a distance of 125.00 feet to a 1/2 inch iron rod with aluminum cap set for the northwest corner of said Southwestern Bell tract, an interior ell corner of said Horton tract, and an interior ell corner of the herein described tract;

THENCE with the west line of said Southwestern Bell tract, S01°56'06"E a distance of 100.00 feet to a 1/2 inch iron rod with aluminum cap set for the southwest corner of said Southwestern Bell tract, an interior ell corner of said Horton tract, and an interior ell corner of the herein described tract;





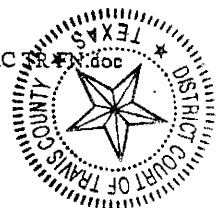
THENCE with the south line of said Southwestern Bell tract, N88°03'54"E passing at a distance of 3.54 feet 0.10 feet right a 1/2 inch iron rod found in all a total distance of 125.00 feet to a 1/2 inch iron rod with aluminum cap set in the west right-of-way line of said County Road 119 for the southeast corner of said Southwestern Bell tract, an exterior ell corner of said Horton tract and an exterior ell corner of the herein described tract;

THENCE with the west right of line of said County Road 119, an east line of said Horton tract, and a east line of the herein described tract, S01°56'06"E a distance of 1348.44 feet to a point for the southeast corner of the herein described tract, from which a 1/2 inch iron rod with Land Design cap found in the north right-of-way line of County Road 113 also known as Hillside Terrace (R.O.W. varies) for the southeast corner of said Horton tract bears, S01°56'06"E at a distance of 8.00 feet pass a 1/2 inch iron rod with Land Design cap found, in all a total distance of 27.99 feet;

THENCE over and across said Horton tract with a line 28.00 feet north of and parallel with the south line of said Horton tract and the north right-of-way line of said County Road 113, S88°12'26"W a distance of 3478.74 feet to a point in the east right-of-way line of Interstate Highway No. 35 (R.O.W. varies) for the southwest corner of the herein described tract, from which a Texas Department of Transportation Type 1 monument found (Station 158+73.74 559.38' Lt.) in the east right of way line of Interstate Highway No. 35 bears S08°49'43"E a distance of 28.21 feet;

THENCE with the east line of said Interstate Highway No. 35, the west line of said Horton tract, and the west line of the herein described tract, the following two (2) courses:

1. N08°49'43"W a distance of 642.02 feet to a Texas Department of Transportation Type 1 monument found (Station 153+00.34 210.50' Lt.), from which a 1/2 inch iron rod found (Station 153+00.34 180.00' Rt.) in the west right of way line of said Interstate Highway No. 35 bears N66°47'25"W a distance of 390.84 feet;
2. N22°38'36"E passing at a distance of 927.85 feet a Texas Department of Transportation Type 1 monument found 0.55 feet right in all a total distance of 2576.23 feet to a 1/2 inch iron rod found for the northwest corner of said Horton tract, the northwest corner of the herein described tract, and the southwest corner of Tract 1 of said Keesee tract from which a Texas Department of Transportation Type 1 monument found (Station 106+91.9 210.6' Lt.) bears N22°38'29"E a distance of 2032.80 feet;



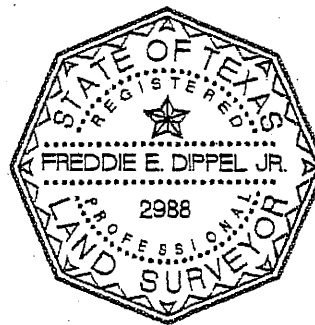
THENCE with the south line of said Keesee tract, the north line of said Horton tract, and the north line of the herein described tract N88°06'31"E passing at a distance of 1284.13 feet 0.11 feet right a 1/2 inch iron rod with KC ENG. cap found for the southeast corner of said Keesee Tract 1 and the southwest corner of said Keesee Tract 3, in all a total distance of 2484.25 feet the POINT OF BEGINNING, containing 213.897 acres of land, more or less, within these metes and bounds.

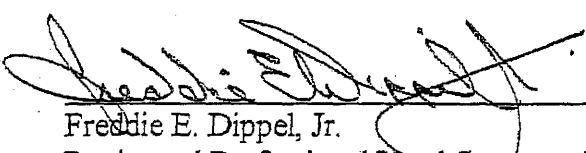
Reference is herein made to the sketch companying this metes and bounds description.

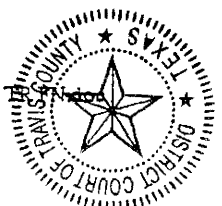
Bearing Reference: Grid North, Texas State Plane coordinate system NAD83 (CORS) Central Zone.

I hereby certify that this description was prepared from the results of a survey made on the ground under my supervision.

CUNNINGHAM-ALLEN, INC.



  
Freddie E. Dippel, Jr.  
Registered Professional Land Surveyor No. 2988  
Date: 8-18-08



TO ACCOMPANY DESCRIPTION  
3.897 ACRE TRACT

TRINIDAD VACINAS SURVEY NO. 9, ABSTRACT # 485  
KEESE PARTNERS, LTD.  
TRACT 1  
VOL. 1795, PG. 101 O.P.R.H.C.

P.O.B.  
APPROXIMATE  
SURVEY LINE  
2484.25' VOL. 1795, PG. 101 O.P.R.H.C.

STA  
106+91.9  
210.6' LI.

W/ "KC ENG." CAP

1284.13'

O/S  
SOUTH  
0.11'

INTERSTATE HIGHWAY NO. 35  
(R.O.W. VARIES)  
2576.23'

WILMOT ROBERDEAU HORTON  
JOHN COLEMAN HORTON  
VOL. 1314, PG. 375 O.P.R.H.C.

213.897 ACRES

GEORGE HERDER SURVEY  
ABSTRACT # 239

SOUTHWESTERN BELL  
TELEPHONE COMPANY  
VOL. 124, PAGE 258  
D.R.H.C.

COUNTY ROAD 119  
(OLD GOFORTH ROAD)

APPROXIMATE  
SURVEY LINE

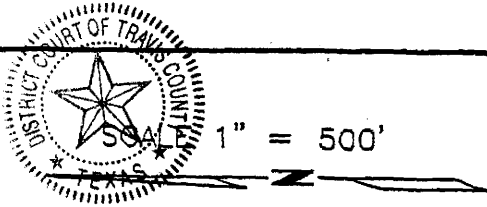
COUNTY ROAD 133  
(HILLSIDE TERRACE)

WILLIS A. MOORE SURVEY  
ABSTRACT NO. 331

OPRYGHT 2005 CUNNINGHAM-ALLEN INC

Cunningham | Allen  
Engineers - Surveyors

3103 Bee Cave Road, Suite 202  
Austin, Texas 78746-6819  
Tel.: (512) 327-2946  
Fax: (512) 327-2973



785.59'

S01°56'06"E

S88°03'54"W  
58.18'

1538.50'

S88°03'54"W  
125.00'

S01°56'06"E  
100.00'

SEE  
DETAIL C  
SHEET 2

N88°03'54"E  
125.00'

S01°56'06"E

1348.44'

SEE  
DETAIL A  
SHEET 2

S88°12'26"W 3478.74'

S88°12'26"W 3450.36'

S08°49'43"E  
28.21'

STA  
161+64.87  
635.55' LI.

S08°26'52"W  
298.36'

STA  
158+73.74  
559.38' LI.

N08°48'43"W  
842.02'

STA  
153+00.34  
210.50' LI.

927.85'

STA  
14+00.34  
100' RT.

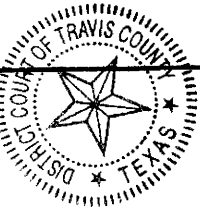
N66°47'25"W  
390.84'

O/S  
EAST  
0.55'

N22°38'36"E

28.00'

TO ACCOMPANY DESCRIPTION  
1.897 ACRE TRACT

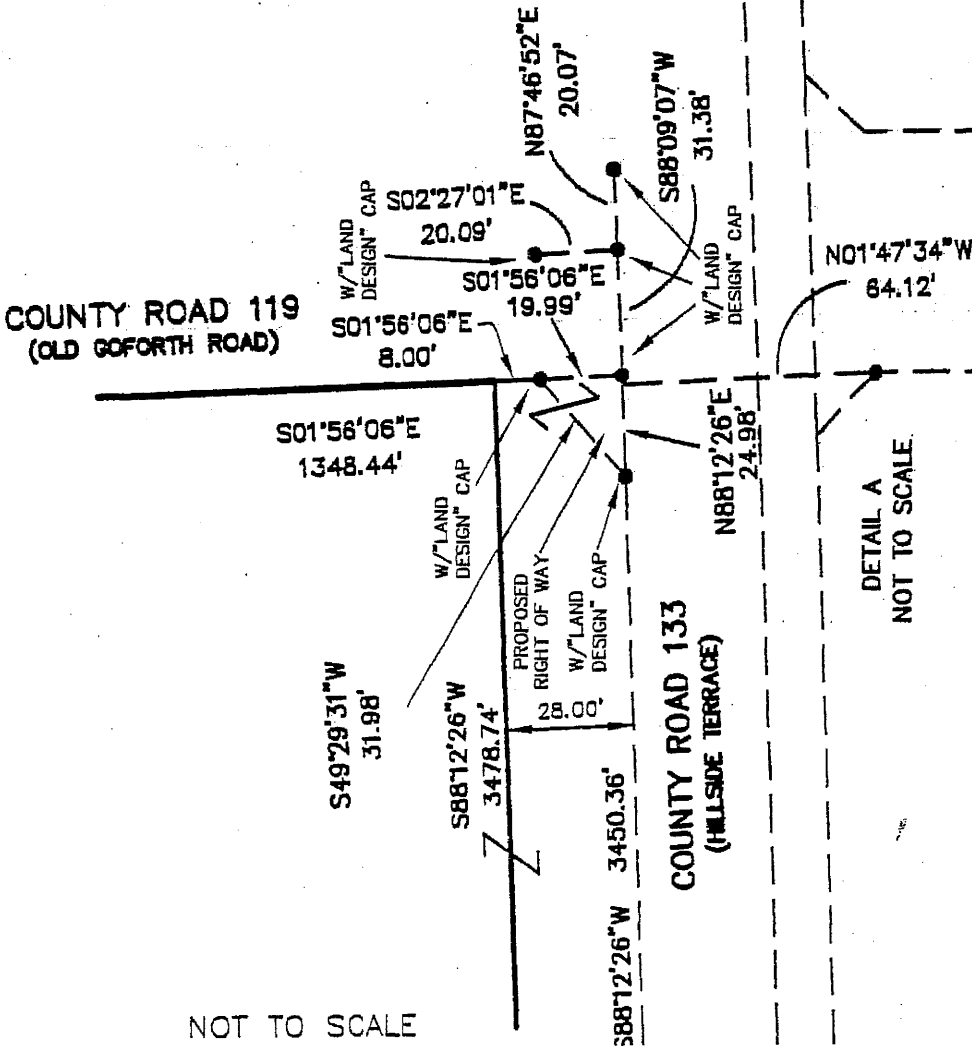


LEGEND

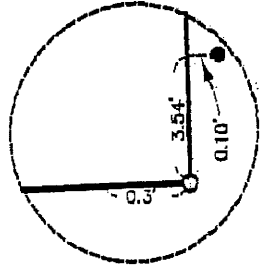
- 1/2" IRON ROD FOUND (UNLESS STATED)
- ⊙ 1/2" IRON PIPE FOUND (UNLESS STATED)
- CONCRETE HWY. MONUMENT FOUND (TYPE I)
- D.R.H.C. DEED RECORDS OF HAYS COUNTY
- O.P.R.H.C. OFFICIAL PUBLIC RECORDS OF HAYS COUNTY
- P.O.B. POINT OF BEGINNING

REFERENCE IS HEREIN MADE TO THE METES AND BOUNDS DESCRIPTION TO ACCOMPANY THIS SKETCH.

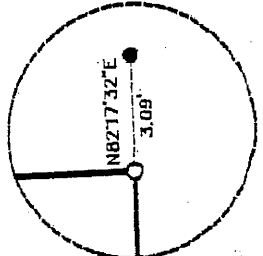
BEARING BASIS: GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (CORS) CENTRAL ZONE.



DETAIL A  
NOT TO SCALE



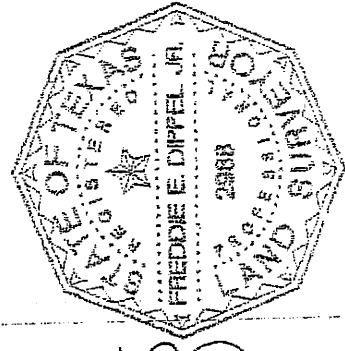
DETAIL C  
NOT TO SCALE



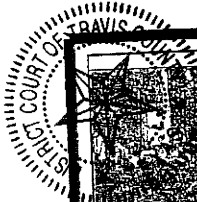
DETAIL B  
NOT TO SCALE

SURVEYED BY:

*Freddie E. Dipfel Jr.*  
FREDDIE E. DIPPEL, JR.  
REG. PROF. LAND SURVEYOR  
NO. 2988  
DATE: 8-18-02



Cunningham | Allen



COUNTY RD. 132

HORTON TRACT

RELOCATED CR 132

PORTION OUTSIDE WC&ID

NORTH SITE

SOUTH BUDA WC&ID No. 1

PORTION OUTSIDE WC&ID

EXISTING CR 132 TO BE ABANDONED

SOUTH SITE

COUNTY RD. 132

1000' 4"

LAN COUNTY ROAD 132 OVERALL

EXHIBIT "B"

PROJECT NO.	1484-9184	DESIGNED BY:	HR-0
FILE NO.	LAN CR 132 OVERALL	DRAWN BY:	HR-0
DATE:	APRIL 2008	CHECKED BY:	LMO/DWG
SCALE:	N.T.S.	REVISED BY:	

GRAY - JANSING & ASSOCIATES, INC.  
Consulting Engineers  
8017 Shoal Creek Blvd., Suite 200  
Austin, Texas 78757-7692  
(512) 452-0371 FAX (512) 454-4935

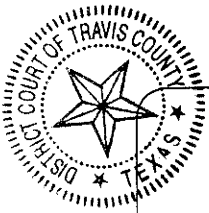


EXHIBIT "C"

# MEADOWS @ BUDA COMMERCIAL - PHASE 1

**VINCENT GERRARD & ASSOCIATES**  
LAND PLANNING & LANDSCAPE DESIGN  
1715 CAPITAL OF TEXAS HWY SOUTH, STE. 207  
AUSTIN, TEXAS 78746  
(512) 336-2693 FAX (512) 336-4011 v.gerrard@aig.net



CONSTRUCT PROPOSED I-35  
FRONTAGE ROAD

EXISTING FRONTAGE ROAD  
(REMOVE)

PROPOSED TEMPORARY ACCESS ROAD  
(PHASE 1)

12.12 ACRES

CONSTRUCT PERMANENT  
CR 132

5.85 ACRES

5.75 ACRES

3.804 ACRES

16.081 ACRES



SCALE: 1" = 200'



**RESOLUTION CONCERNING HAYS COUNTY ROAD NO. 132  
REALIGNMENT AND EXPANSION ROADWAY PLAN**

WHEREAS, on May 4, 2006, South Buda WCID No. 1 (the "District") filed with the City of Buda (the "City") its Hays County Road No. 132 Realignment and Expansion Roadway Plan, prepared by Gray \* Jansing & Associates, Inc. bearing the professional engineers seal of David W. Gray, dated April 21, 2006 (the "Plan"); and

WHEREAS, the Plan was filed with County Commissioners Court of Hays County, Texas (the "Commissioners Court") on May 5, 2006; and

WHEREAS, the City reviewed, amended and approved the Plan on August 1, 2006, and the Commissioners Court reviewed, amended and approved the Plan on April 8, 2006, and now, because of changes in circumstances by reason of the passage of time, the Plan should be again amended.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 THAT:

The City of Buda and the Commissioners Court are requested to approve the Plan, amended to show that:

A. The current location of County Road 132 ("CR 132") is shown on Exhibit "A" attached hereto. It bisects The Meadows at Buda residential development which is within the District. CR 132 has heavy gravel and cement truck traffic which is inappropriate for passage through the middle of a residential community.

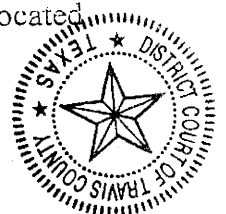
B. The parties want to relocate CR 132 as shown on Exhibit "A" so that it will be an arterial road that is a benefit to the District, the City and the County as hereafter explained.

C. The Meadows has participated with the City of Buda in the City of Buda, Texas Contract for Construction of Buda Truck Route - CR 132, with the contract documents, plans and specifications prepared by Lockwood, Andrews and Newnam, Inc., as LAN Project No. 160-10148-400, dated September 19, 2006.

D. The construction documents provide for construction of that part of relocated CR 132 that is north of and outside of the District, as shown on Exhibit "A," attached hereto, and that part of relocated CR 132 that is shown to be within the District on Exhibit "B" attached hereto, and the temporary access road shown on Exhibit "B" which connects relocated CR 132 to the IH-35 feeder road. The remaining part of relocated CR 132 between that part being constructed now and IH-35 will be constructed by the Texas Department of Transportation (TxDOT) when TxDOT constructs the IH-35 overpass.

E. The "District Portion" of relocated CR 132 consists of that part of relocated CR 132 that is within the District, as shown on Exhibit "B" attached hereto. The "City Portion" of relocated

EXHIBIT "D"



CR 132 is the northern part of relocated CR 132 that is shown on Exhibit "A" that is outside the District.

F. The Meadows at Buda Commercial, Ltd. ("The Meadows") holds fee title to the land on which the District Portion of CR 132 is being constructed, so that The Meadows will own the District Portion of CR 132. The City currently holds title to the City Portion of Relocated CR 132.

G. The City is constructing Relocated CR 132, with the City paying for the cost of construction of the City's Portion and The Meadows paying for the cost of the District Portion, except that the City provided engineered base for all of the project.

H. The District, using its road utility district powers, intends to acquire the District Portion of Relocated CR 132. The District will convey the District Portion of Relocated CR 132 to the County, in accordance with the procedures set forth in Chapter 441, Transportation Code. Title to the remaining part of Relocated CR 132 shall be conveyed by the City to the County.

I. Funds for the District Portion of Relocated CR 132 have been and are being provided by The Meadows, in return for future bond reimbursement, pursuant to a contract between The Meadows and the District.

J. The District Portion of Relocated CR 132 is to the advantage of the District because:

1. The relocation of CR 132 will allow appropriate development of The Meadows at Buda as an undivided residential community, resulting in increased assessed value of properties within the District.

2. The District Portion of relocated CR 132 is within that part of the District that is to be developed for commercial use, and it will enhance development of that commercial development because it will provide convenient access to IH-35 and to downtown Buda. It will connect to the new IH-35 crossing that is to be constructed by TxDOT adjacent to the District. Currently access to the District from IH-35 is from exits that are significantly north and south of the District. The District has annexed the Horton Tract, which is shown on Exhibit "A," and which is on the other side of IH 35 from the original District. Extending Relocated CR 132 to IH-35 will allow convenient access between the eastern and western parts of the District.

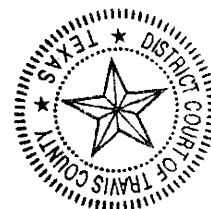
K. The relocation of CR 132 will benefit the City because, currently, the peace and tranquility of downtown Buda is impaired by the frequent passage of cement and gravel trucks. Relocating CR 132 will divert the cement and gravel trucks from downtown Buda.

L. The form contract attached as Attachment 3 to the Plan is replaced with the form contract attached hereto as Exhibit "C." This contract, substantially in the form of that attached hereto, with such changes as may be required by the parties thereto, will be entered into by and between the City, the Commissioners Court, The District and the Meadows at Buda Commercial,

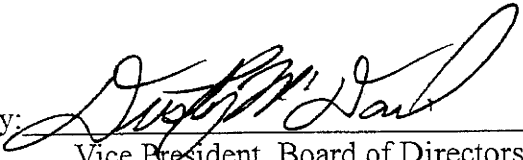




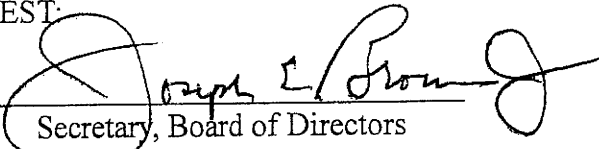
Ltd. after the amended Plan has been approved by the Commissioners Court.



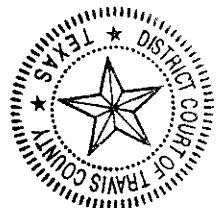
ADOPTED this 19<sup>th</sup> day of March, 2007

By:   
Vice President, Board of Directors  
South Buda WCID No. 1

ATTEST:

By:   
Secretary, Board of Directors  
South Buda WCID No.1

(SEAL)



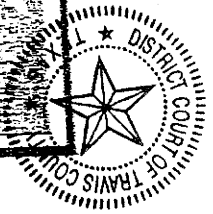
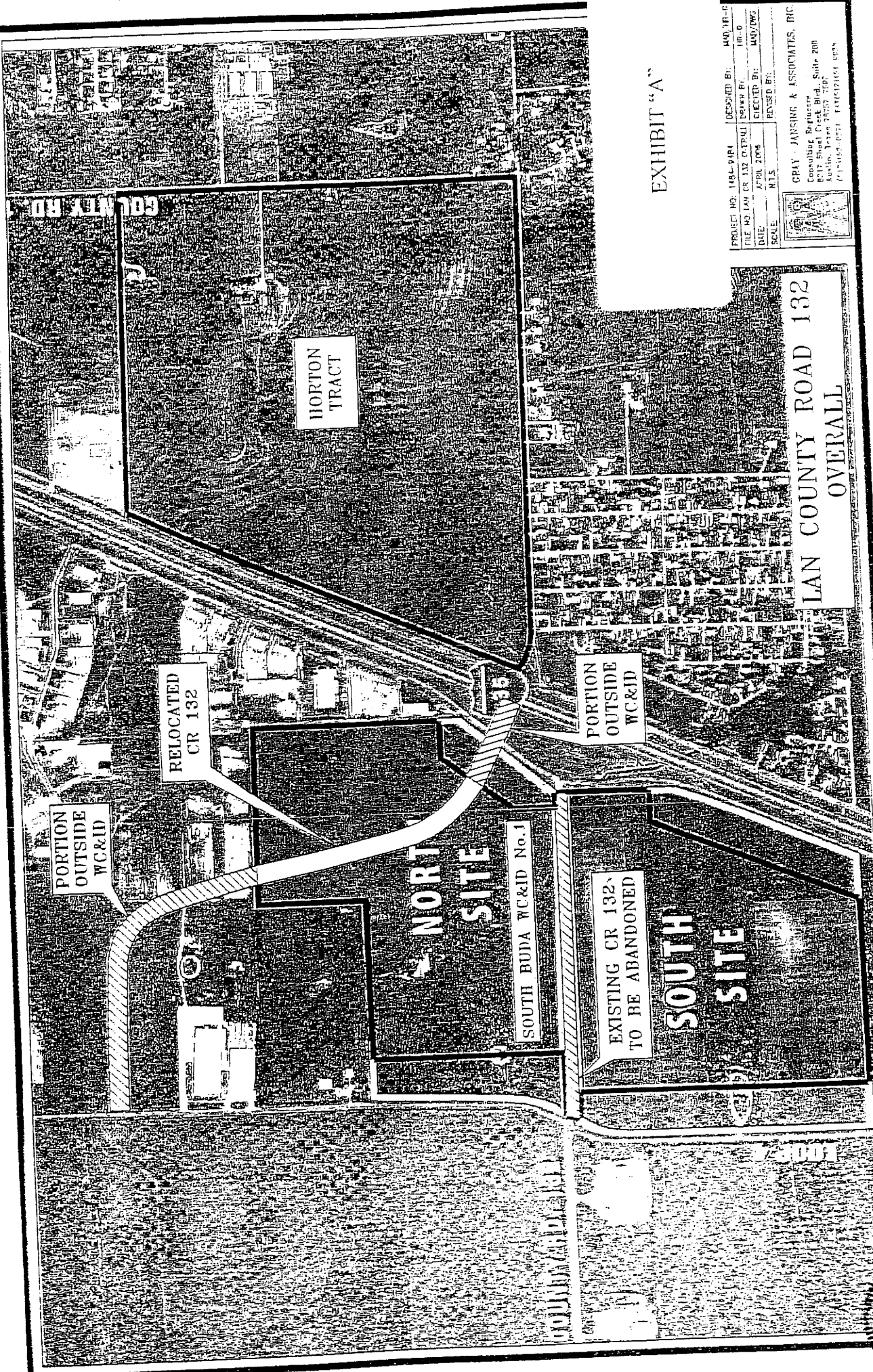
# EXHIBIT "A"

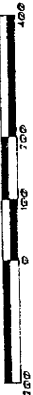
PROJECT NO. 148-9184  
 TITLE AND PLAN CR 132 (CR 132)  
 DATE: 7/20/2006  
 SCALE: N.T.S.

DESIGNED BY: M.D. JR. & F.  
 DRAWN BY: M.D. JR. & F.  
 CHECKED BY: M.D. JR. & F.  
 REVISED BY: M.D. JR. & F.



GRAY, JANSING & ASSOCIATES, INC.  
 Consulting Engineers  
 8012 Strand Creek Blvd., Suite 200  
 Austin, Texas 78757-2107  
 (512) 454-0070 FAX (512) 454-0071





SCALE: 1" = 200'

200' ±

5.75 ACRES

CONSTRUCT PERMANENT  
CR 132  
5.85 ACRES

12.12 ACRES

PROPOSED TEMPORARY ACCESS ROAD  
(PHASE I)

STORAGE ROAD  
(REMOVED)

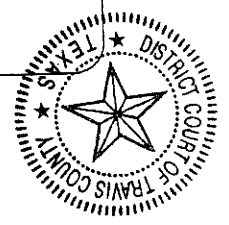
CONSTRUCT PROPOSED I-35  
FRONTAGE ROAD

TRAFFIC  
CIRCULATION

VINCENT GERARD & ASSOCIATES  
14101 AVENUE 1400, SUITE 100  
HOUSTON, TEXAS 77058  
OFFICE: 281-411-1111  
FAX: 281-411-1112

# MEADOWS @ BUDA COMMERCIAL - PHASE I

EXHIBIT "B"



## CR 132 AGREEMENT

This CR 132 Agreement (the "Agreement") is by and among the Commissioners Court of Hays County, Texas (the "County"), the City of Buda, Texas (the "City"), South Buda Water Control and Improvement District No. 1 (the "District") and The Meadows at Buda Commercial, Ltd. ("The Meadows").

### RECITALS

A. The current location of County Road 132 ("CR 132") is shown on Exhibit "A" attached hereto. It bisects The Meadows at Buda residential development which is within the District. CR 132 has heavy gravel and cement truck traffic which is inappropriate for passage through the middle of a residential community.

B. The Parties want to relocate CR 132 as shown on Exhibit "A" so that it will be an arterial road that is a benefit to the District, the City and the County as hereafter explained.

C. The Meadows has participated with the City of Buda in the City of Buda, Texas Contract for Construction of Buda Truck Route - CR 132, with the contract documents, plans and specifications prepared by Lockwood, Andrews and Newnam, Inc., as LAN Project No. 160-10148-400, dated September 19, 2006.

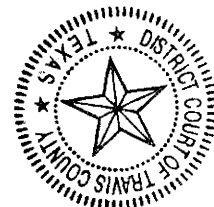
D. The construction documents provide for construction of that part of relocated CR 132 that is north of and outside of the District, as shown on Exhibit "A," attached hereto, and that part of relocated CR 132 that is shown to be within the District on Exhibit "B" attached hereto, and the temporary access road shown on Exhibit "B" which connects relocated CR 132 to the IH-35 feeder road. The remaining part of relocated CR 132 between that part being constructed now and IH-35 will be constructed by the Texas Department of Transportation (TxDOT) when TxDOT constructs the IH-35 overpass.

E. The "District Portion" of relocated CR 132 consists of that part of relocated CR 132 that is within the District, as shown on Exhibit "B" attached hereto. The "City Portion" of relocated CR 132 is the northern part of relocated CR 132 that is shown on Exhibit "A" that is outside the District.

F. The Meadows holds fee title to the land on which the District Portion of CR 132 was constructed, so that The Meadows owns the District Portion of CR 132. The City currently holds title to the City Portion of Relocated CR 132.

G. The City is constructing Relocated CR 132, with the City paying for the cost of construction of the City Portion and The Meadows paying for the cost of the District Portion, except that the City provided engineered base for all of the project.

EXHIBIT "C"



H. The District, using its road utility district powers, intends to acquire the District Portion of Relocated CR 132. The District will convey the District Portion of Relocated CR 132 to the County, in accordance with the procedures set forth in Chapter 441, Transportation Code. Title to the remaining part of Relocated CR 132 shall be conveyed by the City to the County.

I. Funds for the District Portion of Relocated CR 132 have been provided by The Meadows, in return for future bond reimbursement, pursuant to a contract between The Meadows and the District.

J. The District Portion of Relocated CR 123 is to the advantage of the District because:

1. The relocation of CR 132 will allow appropriate development of The Meadows at Buda as an undivided residential community, resulting in increased assessed value of properties within the District.

2. The District Portion of Relocated CR 123 is within that part of the District that is to be developed for commercial use, and it will enhance development of that commercial development because it will provide convenient access to IH-35 and to downtown Buda. It will connect to the new IH-35 crossing that is to be constructed by TxDOT adjacent to the District. Currently access to the District from IH-35 is from exits that are significantly north and south of the District. The District has annexed the Horton Tract, which is shown on Exhibit "A," and which is on the other side of IH-35 from the original District. Extending Relocated CR 132 to IH-35 will allow convenient access between the eastern and western parts of the District.

K. The relocation of CR 132 will benefit the City because, currently, the peace and tranquility of downtown Buda is impaired by the frequent passage of cement and gravel trucks. Relocating CR 132 will divert the cement and gravel trucks from downtown Buda.

## **AGREEMENT**

NOW THEREFORE, in consideration of the premises and the mutual promises and agreements set forth herein, the County, the City, the District and The Meadows agree as follows:

### SECTION ONE DEFINITIONS

As used in this Agreement, each of the following terms has the meaning to it set out below. As such terms are used in this Agreement, singular terms shall include the plural, and vice versa; and any gender shall include any other genders.

"Amended Preliminary Plan" means the Preliminary Plan as amended by the District in its Resolution Concerning Hays County Road No. 132 Realignment and Expansion Roadway Plan, adopted by the District's board of directors on March 19, 2007.



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

"District Portion of Relocated CR 132" means that part of relocated CR 132 that is within the District, as shown on Exhibit "B" attached hereto.

"City" means the City of Buda, Texas.

"City Portion of Relocated CR 132" means the northern part of relocated CR 132 that is shown on Exhibit "A" that is outside the District.

"Commissioners Court" means the Commissioners Court of Hays County, Texas.

"Construction Contract" means the City of Buda, Texas Contract for Construction of Buda Truck Route - CR 132, with the contract documents, plans and specifications prepared by Lockwood, Andrews and Newnam, Inc., as LAN Project No. 160-10148-400, dated September 19, 2006

"CR 132" means Hays County Road 132.

"Party" or "Parties" means a Party or the Parties to this Agreement.

"Preliminary Plan" means the District's preliminary plan, entitled "Hays County Road No. 132 Realignment and Expansion Plan," prepared for Hays County, Texas, City of Buda Texas, South Buda Water Control and Improvement No. 1 and The Meadows at Buda Commercial, Ltd., sealed by David W. Gray on April 21, 2006 prepared and submitted pursuant to Secs. 441.013 through 441.017, Transportation Code.

"Relocated CR 132" means the relocation of CR 132 that is shown on Exhibit "A" attached hereto.

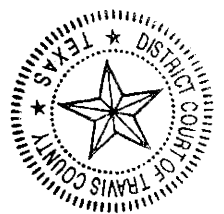
"TCEQ" means the Texas Commission on Environmental Quality.

"TxDOT" means the Texas Department of Transportation.

## SECTION TWO PRELIMINARY PLAN

Section 2.1. Submission of Preliminary Plan. The District has submitted the Amended Preliminary Plan for the District Portion of Relocated CR 132 that the District is to acquire to the City and the Commissioners Court. The Amended Preliminary Plan was approved by the City on \_\_\_\_\_, 2007.

Section 2.2. Action on Preliminary Plan. In the Amended Preliminary Plan the District has agreed in writing to comply with the City's requirements for construction, acquisition, or



improvement of a road facility in the City's extraterritorial jurisdiction.

On \_\_\_\_\_, 2007 the Commissioners Court issued an order approving the Amended Preliminary Plan, determining that the Amended Preliminary Plan meets with the Commissioners Court's requirements; and giving the District a written approval statement which states that the Commissioners Court approves the Amended Preliminary Plan, and will accept conveyance of the District Portion of Relocated CR 132 on acquisition of that facility by the District.

Section 2.3. Bond Election. The District has held an election at which bonds for road improvements were approved.

### SECTION THREE DESIGNATION AS ARTERIAL ROAD

The Commissioners Court, the City and the District hereby designate and acknowledge that Relocated CR 132 is an arterial road.

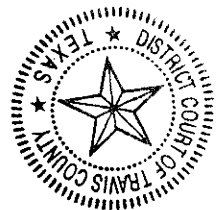
### SECTION FOUR CONSTRUCTION OF RELOCATED CR 132 AND TITLE THERETO

Section 4.1. Construction of Relocated CR 132. The City is constructing Relocated CR 132 pursuant to the Construction Contract. The construction documents provide for construction of the City Portion of Relocated CR 132, the District Portion of Relocated CR 132 and the temporary access road shown on Exhibit "B" which will connect Relocated CR 132 to the IH-35 feeder road. The remaining part of Relocated CR 132 between that part being constructed now and IH-35 will be constructed by TxDOT when TxDOT constructs the IH-35 overpass. The City is constructing Relocated CR 132, with the City paying for the cost of construction of the City Portion and The Meadows paying for the cost of the District Portion and the temporary access portion, except that the City provided engineered base for all of the project.

Section 4.2. Monitoring Work. The District, through its engineer, is monitoring the contractor's work as it is performed on the District Portion of Relocated CR 132, and is immediately acting as necessary to insure compliance with the Construction Contract. The District has adopted a procedure for periodic reporting by the monitors.

Section 4.3 Completion of Construction. Upon completion of construction the City's engineer will provide the City and Developer with a certificate of substantial completion of Relocated CR 132 certifying that the facilities have been completed in all material respects in accordance with the specifications set forth in the Construction Contract.

Section 4.4. Upon the completion of construction the Meadows will hold fee title to the land on which the District Portion of Relocated CR 132 was constructed and the City will hold fee





title to the land on which the City Portion of Relocated CR 132 was constructed.

SECTION FIVE  
ACQUISITION OF DISTRICT PORTION OF RELOCATED CR 132  
BY DISTRICT

Section 5.1. The Meadows will convey title to the District Portion of Relocated CR 132 to the District, and to the remainder of the 5.85 acre tract shown on Exhibit "B" attached hereto, in return for bond reimbursement at a later time, pursuant to an agreement between the Meadows and the District.

SECTION SIX  
COMPLETION OF CONSTRUCTION

Section 6.1. Engineer's Report. Pursuant to the terms of Sec. 441.117, Transportation Code, upon completion of acquisition of the District Portion of Relocated CR 132 by the District, the District's monitor shall submit a written report to the Board and to the Commissioners Court. The report must show whether the District Portion of Relocated CR 132 complies with:

1. the District's plan approved by the Commissioners Court;
2. the Contract; and
3. the requirements of the Commissioners Court to which the District Portion of Relocated CR 132 is to be conveyed.

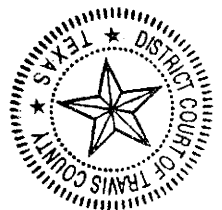
SECTION SEVEN  
CONVEYANCE OF ROAD FACILITY

After receiving the report described in the foregoing Section Six, the Board of Directors of the District, acting pursuant to the terms of Sec. 441.131, Transportation Code, shall give notice of and hold a public hearing to determine whether the District Portion of Relocated CR 132:

1. is complete as required by the District's plans and the Contract; and
2. should be conveyed to the Commissioners Court.

At the hearing, the Board may require the presentation of additional information or testimony necessary to make a determination. A representative of the Commissioners Court may present information and testimony that the Commissioners Court considers necessary. A representative of the City may present information and testimony that the City considers necessary.

SECTION EIGHT



## DECISION ON APPROVAL

Section 8.1. Decision on Approval. Pursuant to the terms of Sec. 441.131, Transportation Code, if the Board determines at the end of the hearing that the work on the District Portion of Relocated CR 132 is complete and that the District Portion of Relocated CR 132 should be conveyed to the Commissioners Court, the Board shall order the conveyance subject to the requirements of Chapter 441, Transportation Code.

## SECTION NINE CONVEYANCE

Section 9.1. Conveyance by the District. Pursuant to the terms of Sec. 441.133, Transportation Code, the District shall convey the District Portion of Relocated CR 132, and the remainder of the 5.85 acre tract shown on Exhibit "B" attached hereto, to the Commissioners Court on completion and approval by the Board of the acquisition.

The District shall convey the District Portion of Relocated CR 132, and the remainder of the 5.85 acre tract shown on Exhibit "B" attached hereto, free and clear of District indebtedness and may not convey a road that is encumbered.

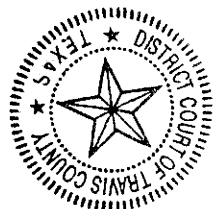
Section 9.2. Conveyance by the City. Before, or when the District conveys the District Portion of Relocated CR 132, and the remainder of the 5.85 acre tract shown on Exhibit "B" attached hereto, to the Commissioners Court the City will convey the remaining part of Relocated CR 132 to the Commissioners Court.

## SECTION TEN TRANSFER OF OWNERSHIP AND RESPONSIBILITY

Section 10.1. Transfer of Ownership and Responsibility. Pursuant to the terms of Sec. 441.135, Transportation Code, after conveyance to the Commissioners Court of the District Portion of Relocated CR 132 by the District, and the remainder of Relocated CR 132 by the City, the Commissioners Court will be the sole owner of and have jurisdiction and sole control over the Relocated CR 132.

After the conveyance, the Commissioners Court is responsible for all maintenance of the Relocated CR 132 and the District shall not be responsible for the Relocated CR 132 or its maintenance.

This section does not affect the Commissioners Court's authority to alter, relocate, close or discontinue maintenance of the road facilities provided by law.



SECTION ELEVEN  
EFFECT OF THE CONVEYANCE ON INDEBTEDNESS

Section 11.1. Effect of Conveyance on Indebtedness. Pursuant to the terms of Sec. 441.136, Transportation Code, conveyance of the District Portion of Relocated CR 132 to the Commissioners Court shall not affect:

1. the sole responsibility of the District to pay in full the principal of and interest and any premium on any outstanding District bonds or other indebtedness; or
2. the District's responsibility to perform the obligations provided by the orders or resolutions authorizing the bonds or other indebtedness.

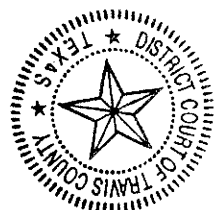
SECTION TWELVE  
CLOSING, ABANDONMENT AND VACATION OF EXISTING CR 132

Section 12.1. Closing, Abandonment and Vacation of Existing CR 132. Promptly after the conveyance of the District Portion of Relocated CR 132 to the Commissioners Court, the Commissioners Court, acting pursuant to the provisions of subchapter B, Chapter 251, Transportation Code, shall adopt an order substantially in the form of that attached hereto as Exhibit "C" pursuant to which existing CR 132 will be closed, abandoned and vacated. Promptly after its adoption, the County Judge shall sign the order. The County Judge shall cause a copy of the order to be filed in the deed records of Hays County, and that shall serve as the official instrument of conveyance from the Commissioners Court to the owner of the abutting property.

Section 12.2. Title to Vacated CR 132. Title to existing CR 132 to the center line of the road shall vest on the date the order is signed by the County Judge in the owner of the property that abuts the portion of CR 132 that is being closed, abandoned and vacated. Filing a copy of the order pursuant to the provisions of the foregoing Section 12.1 in the deed records of Hays County shall serve as the official instrument of conveyance from the Commissioners Court to the owner of the abutting property.

SECTION THIRTEEN  
SEVERABILITY AND ENFORCEABILITY

Section 13.1. Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall remain in full force and effect and the application thereof to any other person or circumstance shall not be affected thereby.



Section 13.2. Enforceability. In the event that the TCEQ or its successor, or any court of competent jurisdiction determines that any provision of this Agreement is beyond the scope of the Texas Water Code or Texas Transportation Code, or reduces the District's ability to issue bonds to pay for its expenses in connection with the District Portion of Relocated CR 132 made the subject of this Agreement, the Parties agree to immediately amend this agreement to conform to such ruling or decision as to the obligations of the District, so long as the benefits of this Agreement may be retained by the Parties.

#### SECTION FOURTEEN TERM OF AGREEMENT

This Agreement shall be effective from the date of execution hereof by the Parties and shall continue in effect until the obligation of the Parties has been performed.

#### SECTION FIFTEEN NOTICES

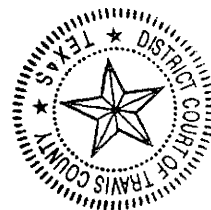
Section 15.1. Notices. Any notice to be given hereunder by either Party to the other Party shall be in writing and may be delivered by personal delivery, by facsimile, or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given when received by facsimile or by personal delivery, or three days after deposited with the United States Postal Service with sufficient postage affixed.

Any notices shall be addressed as follows:

Hays County Commissioners Court  
300 Courthouse  
111 E. San Antonio Street  
San Marcos, Texas 78666  
Attn: County Judge  
Fax (512) 393-2282

The Meadows at Buda Commercial, Ltd.  
6836 Bee Cave Road, Suite 400  
Austin, Texas 78746  
Attn: William T. Gunn, III  
Fax (512) 329-8828

City of Buda  
121 N. Main Street  
Buda, Texas 78610  
Attn: City Administrator  
Fax (512) 312-1889



South Buda WCID No. 1  
c/o Willatt & Flickinger  
2001 North Lamar  
Austin, Texas 78705  
Fax (512) 469-9148

Any Party may change the address or facsimile number for notice to it by giving notice of such change in accordance with the provisions of this paragraph.

#### SECTION SIXTEEN APPROVALS

Section 16.1. Approvals. The Party seeking approval may request approval in writing. Except as otherwise provided herein, if the Party whose approval is requested fails to either approve the submittal or provide written comments specifically identifying required changes within 21 working days, the submittal, as submitted by the requesting Party, will be deemed to have been approved by the Party whose approval is requested.

#### SECTION SEVENTEEN MISCELLANEOUS

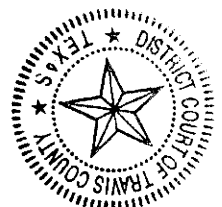
Section 17.1. Waiver. The failure on the part of any Party to require performance by the other of any portion of this Agreement shall not be deemed a waiver of, or in any way affect that Party's rights to enforce such provision. Any waiver by any Party or any provision of this Agreement shall not be a waiver of any other provision hereof.

Section 17.2. Attorney's Fees. In the event any Party shall become a Party to any litigation against the other to enforce or protect any rights or interest under this Agreement and shall prevail, the losing Party shall reimburse the prevailing Party for all investigative and court costs and attorney's fees incurred in such litigation.

Section 17.3. Governing Law. This Agreement shall be governed by the laws of the State of Texas and venue shall lie in Hays County, Texas.

Section 17.4. Time. Time is of the essence. Unless otherwise specified, all references to "days" means calendar days. If the date for performance of any obligation falls on a Saturday, Sunday, or legal public holiday, the date for performance will be the next following regular business day.

Section 17.5. No Partnership, Agency or Third-Party Beneficiaries Intended. Nothing in this Agreement will be construed as creating any form of partnership or joint venture relationship between the Parties, nor shall either Party be authorized to act as an agent for the other Party. Nothing in this Agreement shall be construed to confer any right, privilege or benefit on, or to



otherwise create any vested right or third-party beneficiary relationship with any person or entity that is not a Party to the Agreement.

Section 17.6. Authority. Each of the persons signing on behalf of the Parties hereby confirm that they have the authority to execute this Agreement on behalf of the Party indicated by their signature and have the authority to bind such Party hereto.

Section 17.7. Headings. The captions and headings appearing in this Agreement are inserted merely to facilitate reference and will have no bearing upon its interpretation.

Section 17.8. Further Assurances and Cooperation. The Parties shall take all further actions and shall execute and deliver to the other any other document or instrument which is necessary to fully carry out the transactions evidenced by this Agreement. The Parties shall cooperate with each other and act in good faith to accomplish the purposes of this Agreement.

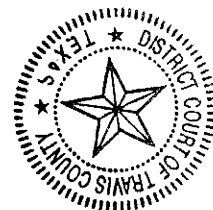
Section 17.9. Compliance with All Laws. The Parties agree that each of them will comply with all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any of the authorities having jurisdiction in carrying out its duties and obligations hereunder. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 17.10. Entire Agreement. This Agreement contains all agreements between the Parties hereto and any agreement not contained herein shall not be recognized by the Parties. The captions used herein are for convenience only and shall not be used to construe this Agreement. Words of gender shall be construed to include any other gender, and words in the singular shall included the plural and vice versa unless the context requires otherwise.

## SECTION EIGHTEEN COUNTERPARTS AND EFFECTIVE DATE

Section 18.1. Counterparts and Effective Date. This Agreement may be executed by the Parties in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument, but all such counterparts together shall constitute but one and the same instrument. The Effective Date of this Agreement shall be the date on which it has been signed by the Parties of this Agreement.

[SIGNATURES TO FOLLOW]



COMMISSIONERS COURT OF HAYS  
COUNTY, TEXAS

By: \_\_\_\_\_  
County Judge

Date of Execution: \_\_\_\_\_, 2007

ATTEST:

\_\_\_\_\_  
County Clerk

CITY OF BUDA, TEXAS

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

Date of Execution: \_\_\_\_\_, 2007

ATTEST:

\_\_\_\_\_  
City Administrator



SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1

By: \_\_\_\_\_  
Kathryn E. Weed  
President, Board of Directors

Date of Execution: \_\_\_\_\_, 2007

ATTEST:

\_\_\_\_\_  
Joseph E. Brown, Jr.  
Secretary, Board of Directors

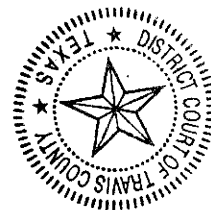
[SEAL]

THE MEADOWS AT BUDA COMMERCIAL, LTD.,  
a Texas limited partnership

By: The Meadows at Buda Development Co.,  
LLC, its general partner

By: \_\_\_\_\_  
William T. Gunn, Manager

Date of Execution: \_\_\_\_\_, 2007





## EXHIBITS

- Exhibit "A" - Existing and Relocated CR 132
- Exhibit "B" - District Portion of Relocated CR 132 and temporary access road constructed pursuant to the City of Buda, Texas contract for construction of Buda Truck Route - CR 132 with the contract documents, plans and specifications prepared by Lockwood, Andrews and Newnam Inc., as LAN Project No. 160-10148-400, dated September 19, 2006
- Exhibit "C" - Order Closing Existing CR 132



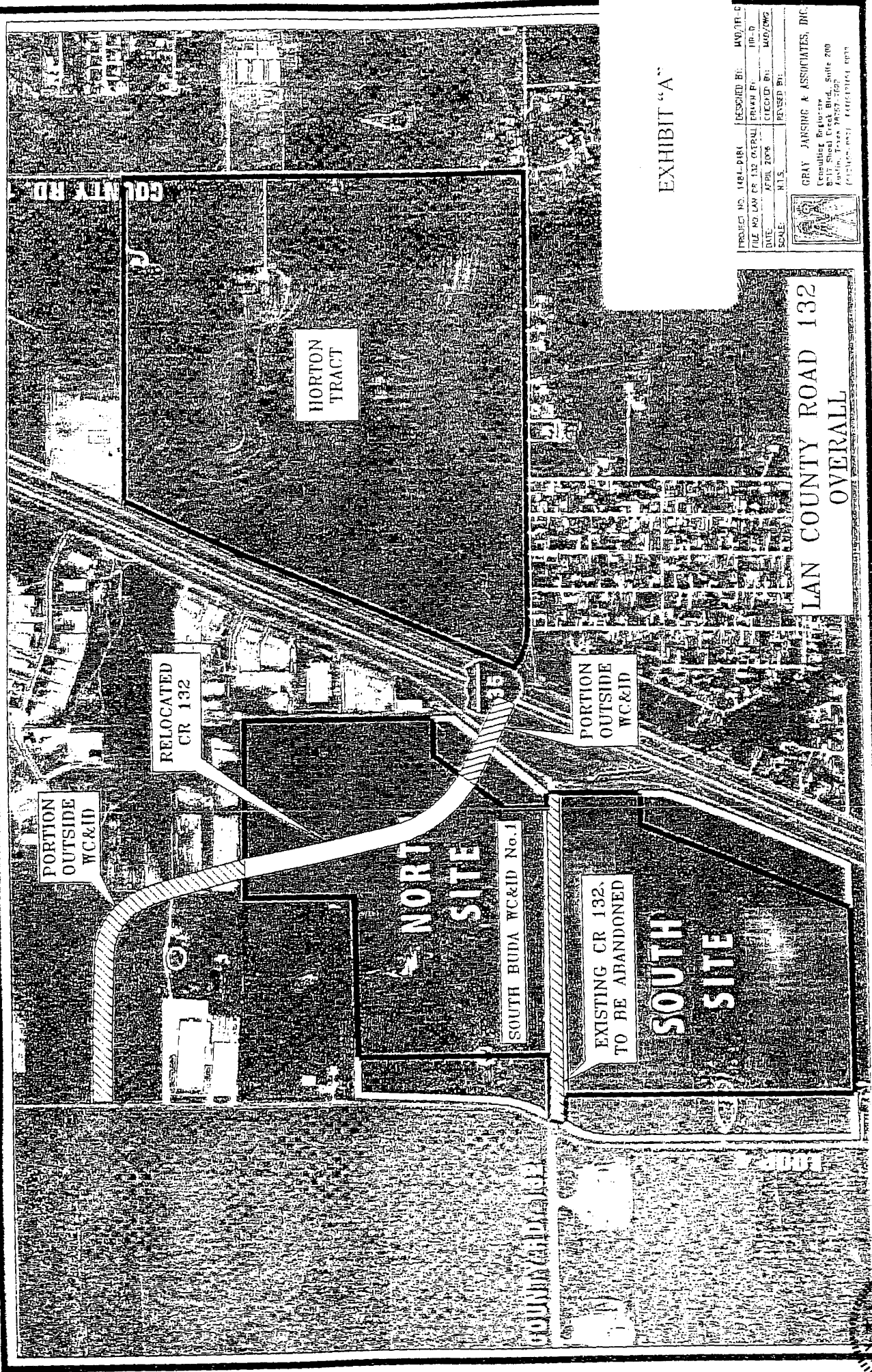


EXHIBIT "A"

PROJECT NO. 148-191	DESIGNED BY: HWJ/TF-C
TITLE NO. LAN CR 132 OVERALL	PREPARED BY: HWJ/TF-C
DATE: APRIL 2006	CHECKED BY: MID/2006
SCALE: N.T.S.	REVISED BY:

GRAY JANSING & ASSOCIATES, INC.  
 Consulting Engineers  
 8015 Shoal Creek Blvd., Suite 200  
 Austin, Texas 78757-2007  
 (512) 451-1000 FAX (512) 451-1001

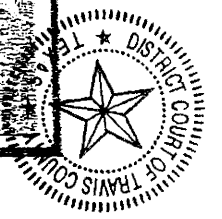




EXHIBIT "B"

EXHIBIT "C"

ORDER CLOSING, ABANDONING AND VACATING  
A PART OF COUNTY ROAD 132

STATE OF TEXAS           §  
                                  §  
COUNTY OF HAYS       §

WHEREAS, the Commissioners Court of Hays County, Texas (the "Commissioners Court") is a Party to that certain CR 132 Agreement by and between the Commissioners Court, the City of Buda, Texas, South Buda Water Control and Improvement District No. 1 and The Meadows at Buda Commercial, Ltd. pursuant to which County Road 132 has been relocated pursuant to the terms of that Agreement, and the construction of the relocated County Road 132 is now complete; and

WHEREAS, that portion of County Road 132 described in Exhibit "A" attached hereto is no longer needed as a road; and

WHEREAS, in the Agreement, the Commissioners Court agreed to exercise its authority provided by Chapter 251, Subchapter B, Transportation Code to close, abandon and vacate that part of County Road 132 described in Exhibit "A" attached hereto upon conveyance of the Relocated County Road 132 and the remaining County Road 132 to the County, and those conveyances have occurred.

NOW THEREFORE, BE IT ORDERED BY THE COMMISSIONERS COURT OF HAYS COUNTY, TEXAS THAT:

Section 1. That part of County Road 132 described in Exhibit "A" attached hereto is hereby closed, abandoned and vacated.

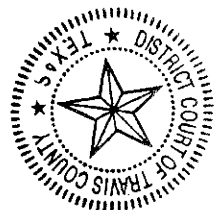
Section 2. This order shall be signed, this day, by the County Judge, and then title to that part of County Road 132 shown on Exhibit "A" attached hereto shall vest in the owner of the property that abuts the portion of the road being closed, abandoned and vacated.

Section 3. A copy of this Order shall be filed in the Official Records of Hays County, Texas and it shall serve as the official instrument of conveyance from the County to the owner of the abutting property.

ADOPTED by unanimous vote this \_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
County Judge

EXHIBIT "C" TO CR 132 AGREEMENT



ATTEST:

\_\_\_\_\_  
County Clerk

(SEAL)

ACKNOWLEDGMENT

STATE OF TEXAS       §

§

COUNTY OF HAYS       §

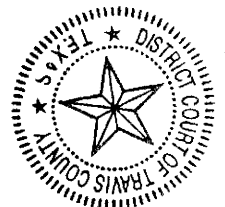
This instrument was acknowledged before me on \_\_\_\_\_, 2007, by  
\_\_\_\_\_, County Judge of Hays County, Texas on behalf of the  
Commissioners Court of Hays County, Texas.

\_\_\_\_\_  
Notary Public, State of Texas

(SEAL)

\_\_\_\_\_  
Typed or Printed Name

My commission expires: \_\_\_\_\_



STATE OF TEXAS  
COUNTY OF HAYS

EXHIBIT "A"

COUNTY ROAD 132  
2.235 ACRE TRACT OF LAND SITUATED  
IN THE JACOB LENTS SURVEY NO. 32,  
ABSTRACT NO. 284, IN HAYS COUNTY,  
TEXAS

LEGAL DESCRIPTION

DESCRIPTION OF A 2.235 ACRE TRACT OF LAND  
SITUATED IN THE JACOB LENTS SURVEY NO. 32,  
ABSTRACT NO. 284, IN HAYS COUNTY TEXAS, SAID 2.235  
ACRE TRACT BEING A PAVED, COUNTY MAINTAINED  
AND TRAVELED UPON NON-DEDICATED PRESCRIPTIVE  
RIGHT-OF-WAY, SAID 2.235 ACRE TRACT AS SHOWN ON  
THE ACCOMPANYING SKETCH, IS MORE PARTICULARLY  
DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING at a 1/2 inch iron rod found for the most southerly corner of Lot 1, Block A,  
Park 35 South Section 1, a subdivision of record in Book 8, Pages 397 thru 399 of the Plat  
Records of Hays County, Texas, being also in the west line of Interstate Highway 35, a variable  
width right-of-way, being also in the approximate west line of the G. Herder Survey, being also  
in the approximate east line of said Jacob Lents Survey and being an angle point in the east line  
of a 115.351 acre tract of land as described in a deed to The Meadows at Buda, LTD., of record  
in Volume 2482, Page 79 of the Deed Records of Hays County, Texas;

THENCE S 39°06'58" W for a distance of 865.50 feet to a 1/2" iron rod with cap set (ZWA) in  
the west line of said Interstate Highway 35, being also the northeast corner of said County Road  
132, being also in the south line of said 115.351 acre tract and the POINT OF BEGINNING of  
the herein described tract;

THENCE S 20°57'28" W with the east line of said County Road 132, for a distance of 39.60  
feet to a concrete monument found in the west line of said Interstate Highway 35, being also the  
southeast corner of said County Road 132, and being the northeast corner of a 85.24 acre tract of  
land as described in a deed to The Meadows at Buda, LTD., of record in Volume 2484, Page 696  
of the Deed Records of Hays County, Texas;

THENCE S 87°32'17" W with the north line of said 85.24 acre tract, for a distance of 2469.42  
feet to a 1/2" iron rod with cap set (ZWA) in the east line of Loop 4, a 80 foot wide right-of-way  
dedicated to the State Highway Commission recorded in Volume 158, Page 570, Deed Records  
of Hays County, Texas and being the southwest corner of the herein described tract;

THENCE N 30°33'02" E with the east line of said Loop 4 for a distance of 50.53 feet to a 1/2"  
iron rod with cap set (ZWA) in the south line of a remaining portion of a 320 acre tract of land as  
described in a deed to John Howe of record in Volume 2482, Page 79 of the Deed Records of  
Hays County, Texas and being the northwest corner of the herein described tract;

ZWA- JOB NO.  
FN04-020-11-02

Page 1 of 4

COUNTY ROAD 132  
2.235 ACRE



THENCE N 87°32'17" E with the south line of said Howe tract for a distance of 114.35 feet to a ½" iron rod with cap set (ZWA) for the southeast corner of said Howe tract and the southwest corner of said 115.351 acre tract for an angle point in the north line of the herein described tract;

THENCE N 87°41'08" E with the south line of said 115.351 acre tract for a distance of 2343.29 feet to the POINT OF BEGINNING and containing 2.235 acres of land.

### BEARING BASIS

THE COORDINATES SHOWN HEREBON ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, TEXAS CENTRAL ZONE, NAD83 (93) HARN. THE BEARINGS SHOWN ARE GRID BEARINGS. ALL DISTANCE SHOWN ARE SURFACE DISTANCES.

THE STATE OF TEXAS §

§  
§  
§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TRAVIS

That I, G. Rene Zamora, a Registered Professional Land Surveyor, do hereby state that the above description is true and correct to the best of my knowledge and belief and that the property described herein was determined by a survey made on the ground during August, 2005 under my direction and supervision.

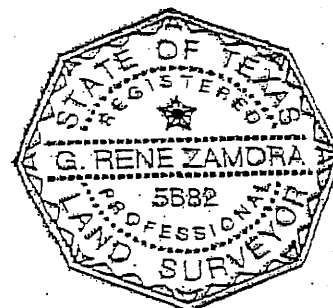
WITNESS MY HAND AND SEAL at Austin, Travis County, Texas this the 25<sup>th</sup> day of August 2005, A.D.

Zamora-Warrick and Associates, L.L.C.  
3737 Executive Center Dr., Suite 111  
Austin, Texas 78731

*G. Rene Zamora* 8/25/05  
G. Rene Zamora  
Registered Professional Land Surveyor  
No. 5682 - State of Texas

### REFERENCES

ZWA FIELD NOTE NO. FN-04-020-11-2



ZWA-JOB NO.  
FN04-020-11-02

Page 2 of 4

COUNTY ROAD 132  
2.235 ACRE



LINE TABLE		
LINE	BEARING	DISTANCE
L1	S20°57'28"W	39.60
L2	S87°32'17"W	2469.42
L3	N30°33'02"E	50.53
L4	N87°32'17"E	114.35
L5	N87°41'08"E	2343.29

I, G. RENE ZAMORA, DO HEREBY STATE THAT THIS SURVEY WAS MADE ON THE GROUND UNDER MY DIRECT SUPERVISION AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY BELIEF.

*G. Rene Zamora* 8/15/05  
G. RENE ZAMORA  
REGISTERED PROFESSIONAL LAND SURVEYOR  
TEXAS REGISTRATION NO. 5682



PAGE 4 OF 4



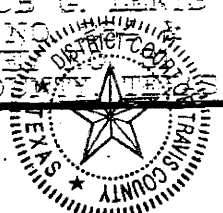
**ZWA**

Zamora-Warrick & Associates, L.L.C.  
Professional Land Surveyors

201 Executive Center Drive, Suite 1100, Austin, Texas 78701  
Tel: (512) 241-1072 • Fax: (512) 241-1002

PROJECT: MEADOWS AT BUDA
JOE NUMBER: 04-025-11-2
DATE: AUGUST 2005
SCALE: 1"=50'
SURVEYOR: WARRICK
TECHNICIAN: CHAPMAN
DRAWING: 0-07-MEADOWS AT BUDA
FIELD NOTES:
PARTY CHIEF:
FILE NUMBER:

**SURVEY SKETCH OF**  
**2.295 ACRE TRACT**  
**SITUATED IN THE JACOB G. LENTS**  
**SURVEY NO. 82 AB. NO. 485**  
**LOUIS WERTIA SURVEY**  
**AB. NO. 485, HAYS COUNTY, TEXAS**





I, AMALIA RODRIGUEZ-MENDOZA, District Clerk,  
Travis County, Texas, do hereby certify that this is  
a true and correct copy as same appears of  
record in my office. Witness my hand and seal of  
office on 4.23.07

AMALIA RODRIGUEZ-MENDOZA

DISTRICT CLERK



By Deputly:

*Jonathan J. J. J.*

**WILLATT & FLICKINGER**  
**ATTORNEYS AT LAW**

2001 NORTH LAMAR • AUSTIN, TEXAS 78705 • (512) 476-6604 • FAX (512) 469-9148

December 19, 2013

**WE HAVE ACTED** as bond counsel for South Buda Water Control and Improvement District No. 1 (the "District") in connection with the issue of bonds described as follows:

South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013, in the total authorized aggregate principal amount of \$2,055,000, maturing on August 1 in each of the years between 2016 and 2032, both inclusive, with term bonds maturing on August 1 in the years 2034, 2036, 2038 and 2043 (the "Bonds"). The Bonds bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board authorizing their issuance (the "Order").

**WE HAVE ACTED** as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify and have not investigated or verified any records, data or other material relating to the financial condition or capabilities of the District, and we have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

**IN OUR CAPACITY** as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District; customary certificates of officers, agents and representatives of the District and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service as we have deemed relevant. In addition, we have examined executed Bond No. R-1.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the District relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, the Bonds constitute valid and legally binding obligations of the District payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally

available for such purposes) to pay the interest on and the principal of the Bonds.

**THE DISTRICT** reserves the right to issue additional tax bonds and bonds and other obligations payable from other resources including contracts with other persons, including private corporations, municipalities, and political subdivisions.

**IT IS FURTHER OUR OPINION**, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, that (i) the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes and (ii) the Bonds are not “specified private activity bonds” within meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and that, accordingly, interest on the Bonds will not be included in an individual or corporate alternative minimum tax preference item under section 57(a)5 of the Code. We are further of the opinion that the Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal income tax consequences of acquiring, carrying, owning or disposing of the Bonds.

Respectfully,

*Willatt & Flickinger*

December 19, 2013

Board of Directors  
Travis County Municipal Utility District No. 11  
c/o Armbrust & Brown, L.L.P.  
100 Congress Avenue, Suite 1300  
Austin, Texas 78701

Re: \$2,055,000 South Buda Water Control and Improvement District No. 1 Unlimited  
Tax Road Bonds, Series 2013 (the "Bonds")

Ladies and Gentlemen:

We have acted as special disclosure counsel to South Buda Water Control and Improvement District No. 1 (the "District") in connection with the issuance of the referenced Bonds pursuant to that certain order of the Board of Directors of the District, dated November 21, 2013 authorizing the issuance of the Bonds (the "Order").

With regard to the above, we have reviewed (i) the Preliminary Official Statement of the District dated November 7, 2013 (the "Preliminary Official Statement"), (ii) the Official Statement of the District dated November 21, 2013 (the "Official Statement") and (iii) Letters of Representation provided to the District by certain of its agents (the "Letters of Representation"). We have also discussed the Official Statement with the District's general counsel and its bond counsel and certain other representatives and agents of the District and reviewed such records of the District as we deem relevant to our review of the Official Statement.

Based on (1) our review of the documents described above, (2) our discussions with the District's general counsel and its bond counsel and other representatives and agents of the District and (3) such other matters as we deem relevant, we are of the opinion that the offering and sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended; and the Order is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In addition, based upon our limited review of the Preliminary Official Statement and the Official Statement, which does not include our independent inquiry or investigation into the accuracy, completeness or fairness of the statements contained therein, and in reliance upon the accuracy of the representations contained in the Letters of Representation, nothing has come to our attention to lead us to believe that the Preliminary Official Statement or the Official Statement (except for financial, forecast, technical and statistical statements and data therein and the information regarding The Depository Trust Company and its book-entry only system, as to which we are not called upon to comment), as of their dates or as of the date hereof, contained or

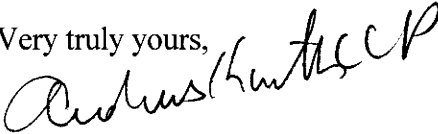
December 19, 2013

Page 2

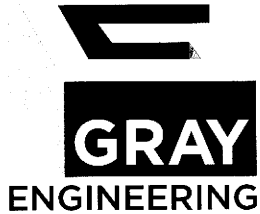
contains any untrue statement of a material fact, or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied upon only by you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrew Hunter". The signature is written in a cursive, flowing style.

7874/7866



O 512.452.0371 : F 512.454.9933

8834 North Capital of Texas Highway, Suite 140  
Austin, Texas 78759 : [www.grayengineeringinc.com](http://www.grayengineeringinc.com)

TBPE 2946

November 21, 2013

South Buda Water Control and Improvement  
District No. 1  
c/o Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Specialized Public Finance Inc.  
248 Addie Roy Road  
Suite B-103  
Austin, Texas 78746

Re: South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds,  
Series 2013

Ladies and Gentlemen:

The undersigned, David W. Gray, of Gray Engineering, Inc. acting in the capacity of Engineer for South Buda Water Control and Improvement District No. 1 (the "District"), does hereby represent the following:

1. On behalf of Gray Engineering, Inc., I have supplied certain information relating to engineering and to the description of the system contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided relating to the relating to engineering and to the description of the system in the District is located in the Official Statement under the captions "THE SYSTEM" and the "THE DISTRICT." Capitalized terms used herein and not otherwise defined have the meaning assigned in the Official Statement.

2. To the best of my knowledge and belief, as of the date hereof, the section of the Official Statement described above does not contain an untrue statement of a material fact as to the information and data set forth therein, and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.



November 21, 2013

Page 2

3. I have also generally reviewed the other information in the Official Statement. I cannot, of course, make any representation to you as to the accuracy or completeness of statements of fact contained in such other information, nor have I made any investigation as to the accuracy or completeness of such other information. Nothing, however, has come to my attention that would lead me to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. I agree to the use of the name of Gray Engineering, Inc., in the Official Statement for the Bonds, and in particular to the description of the firm and its professional employees as experts.

5. I agree that, to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this letter and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.


6. The undersigned hereby represents that he/she has been duly authorized to execute this letter of representation.

*(The remainder of this page intentionally left blank.)*



Sincerely yours,

GRAY ENGINEERING, INC.,

By:   
Name: David W. Gray  
Title: President





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

December 2, 2013

South Buda Water Control and Improvement  
District No. 1  
c/o Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Specialized Public Finance Inc.  
248 Addie Roy Road  
Suite B-103  
Austin, Texas 78746

Re: South Buda Water Control and Improvement District No. 1  
Unlimited Tax Bonds, Series 2013

Ladies and Gentlemen:

The undersigned, Scott Krchnak, of Maxwell Locke & Ritter LLP, acting in the capacity of auditor for South Buda Water Control and Improvement District No. 1 (the "District"), does hereby represent the following:

1. On behalf of Maxwell Locke & Ritter LLP, I have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided is the audited financial statements of the District for the fiscal year ending September 30, 2012, located in Appendix A of the Official Statement.
2. To the best of my professional knowledge and belief, as of the date hereof, the section of the Official Statement described above does not contain an untrue statement of a material fact, and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
3. I agree to the use of the name of my firm in the Official Statement for the Bonds.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

December 2, 2013

Page 2

4. I agree that to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this letter and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.
5. The undersigned hereby represents that he has been duly authorized to execute this letter of representation.

Sincerely,

*maxwell locke + ritter LLP*

MAXWELL LOCKE & RITTER LLP

*Scott Krehnak*

\_\_\_\_\_  
Scott Krehnak

*Audit Partner*

\_\_\_\_\_  
Title

Hays County Tax Assessor-Collector  
Luanne Caraway, RTA



712 S. Stagecoach Trail  
Suite 1120  
San Marcos, TX 78666  
(512) 393-5545

December 3, 2013

South Buda Water Control and Improvement  
District No. 1  
c/o Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Specialized Public Finance Inc.  
248 Addie Roy Road  
Suite B-103  
Austin, Texas 78746

Re: South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds,  
Series 2013

Ladies and Gentlemen:

The undersigned, Luanne Caraway, tax assessor-collector for South Buda Water Control and Improvement District No. 1 (the "District"), does hereby represent the following:

1. I have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided relating to the collection rates is located in the Official Statement under the heading "TAX DATA – Historical Tax Collections."

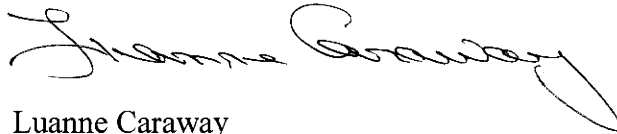
2. To the best of my knowledge and belief, as of the date hereof, the sections of the Official Statement described above do not contain an untrue statement of a material fact as to information and data set forth therein, and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. I have also generally reviewed the information in the Official Statement. I cannot, of course, make any representation to you as to the accuracy or completeness of statements of fact contained in such other information, nor have I made any investigation as to the accuracy or completeness of such other information. Nothing, however, has come to my attention that would lead me to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. I agree to the use of the name of my office in the Official Statement for the Bonds, and in particular to the description of me as an expert.

5. I agree that, to the best of my ability, I will inform you ~~immediately should I learn~~ of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Luanne Caraway", with a stylized, flowing script.

Luanne Caraway



November 21, 2013

South Buda Water Control and Improvement  
District No. 1  
c/o Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Specialized Public Finance Inc.  
248 Addie Roy Road  
Suite B-103  
Austin, Texas 78746

Re: South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds,  
Series 2013

Ladies and Gentlemen:

Lennar Homes of Texas Land and Construction, Ltd. ("Lennar") has acted as a developer and/or landowner in South Buda Water Control and Improvement District No. 1 (the "District"). The undersigned, Fred Wyborski, is authorized to execute this letter on behalf of Lennar and does hereby represent on behalf of Lennar the following:

1. On behalf of Lennar, I have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided relating to development and the status of development within the District generally and, in particular, the information regarding Lennar and development by Lennar in the District is located in the Official Statement under the captions "THE DISTRICT - Status of Development," "THE DEVELOPERS - The Developers," "THE DEVELOPERS - Development History," and "THE DEVELOPERS - Development Financing."

2. To my knowledge and belief, as of the date hereof, the sections of the Official Statement described above do not contain an untrue statement of a material fact as to the information and data regarding Lennar set forth therein, and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. I agree to the use of the name of Lennar in the Official Statement for the Bonds.

# LENNAR®

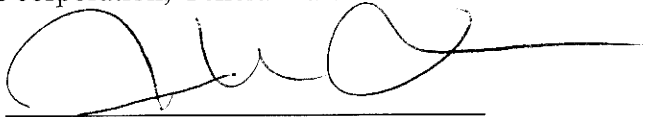
4. I agree that to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds (anticipated to occur on or about December 19, 2013) which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

5. The undersigned hereby represents that he has been duly authorized to execute this letter of representation.

Sincerely yours,

**LENNAR HOMES OF TEXAS LAND  
AND CONSTRUCTION, LTD.,**  
a Texas limited partnership

By: Lennar Texas Holding Company,  
a Texas corporation, General Partner

By:   
Fred Wyborski, Vice President



November 21, 2013

South Buda Water Control and Improvement  
District No. 1  
c/o Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Willatt & Flickinger  
2001 N. Lamar  
Austin, Texas 78705

Specialized Public Finance Inc.  
248 Addie Roy Road  
Suite B-103  
Austin, Texas 78746

Re: South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds,  
Series 2013

Ladies and Gentlemen:

NewStand Buda, Ltd. ("NewStand") has acted as a developer in South Buda Water Control and Improvement District No. 1 (the "District"). The undersigned, Grant E Gist, is authorized to execute this letter on behalf of NewStand and does hereby represent on behalf of NewStand the following:

1. On behalf of NewStand, I have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided relating to development and the status of development within the District generally and, in particular, the information regarding NewStand and development by NewStand in the District is located in the Official Statement under the captions "THE DISTRICT - Status of Development," "THE DEVELOPERS - The Developers," "THE DEVELOPERS - Development History," and "THE DEVELOPERS - Development Financing."

2. To my knowledge and belief, as of the date hereof, the sections of the Official Statement described above do not contain an untrue statement of a material fact as to the information and data regarding NewStand set forth therein, and do not omit to state a material

fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.


3. I agree to the use of the name of NewStand in the Official Statement for the Bonds.

4. I agree that to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds (anticipated to occur on or about December 19, 2013) which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

5. The undersigned hereby represents that he has been duly authorized to execute this letter of representation.

Sincerely yours,

NewStand Buda, Ltd., a Texas limited partnership,  
by its general partner, NewStand Development  
Company, LLC, a Texas limited liability company

By:   
Name: Grant E. Gist  
Title: Manager



OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bond, Series 2013

numbered T-1, of the denomination of \$ 2,055,000, dated November 15, 2013, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 18th day of December 2013, under Registration Number 82830.

Given under my hand and seal of office, at Austin, Texas, the 18th day of December 2013.

A handwritten signature in black ink, appearing to read "Susan Combs", is positioned above the printed name and title.

SUSAN COMBS  
Comptroller of Public Accounts  
of the State of Texas

13



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

December 18, 2013

THIS IS TO CERTIFY that South Buda Water Control and Improvement District No. 1 (the "Issuer") has submitted the South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bond, Series 2013 (the "Bond"), in the principal amount of \$2,055,000, for approval. The Bond is dated November 15, 2013, numbered T-1, and was authorized by an Order of the Issuer passed on November 21, 2013.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

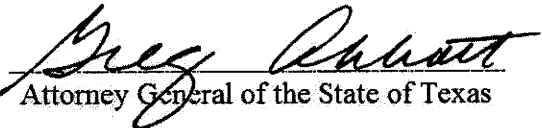
As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to the official statement or any other offering material relating to the Bond:

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Bond is payable from the proceeds of an annual ad valorem tax levied without legal limit as to rate or amount on all taxable property within the Issuer.

Therefore, the Bond is approved.

  
Attorney General of the State of Texas

No. 56380  
Book No. 2013-D  
MAR

\*See attached Signature Authorization


OFFICE OF THE ATTORNEY GENERAL  
OF THE STATE OF TEXAS

§  
§  
§

I, GREG ABBOTT, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, districts, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supercedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 9 day of January, 2009.

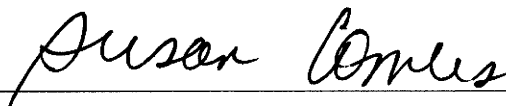
  
GREG ABBOTT  
Attorney General of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

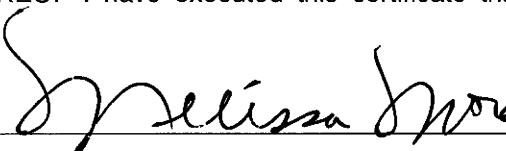
I, Melissa Mora, ☐ Bond Clerk ☒ Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 18th day of December 2013, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bond, Series 2013,

numbered T-1, dated November 15, 2013, and that in signing the certificate of registration I used the following signature:

  
\_\_\_\_\_

IN WITNESS WHEREOF I have executed this certificate this the 18th day of December  
2013.

  
\_\_\_\_\_

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 82830.

GIVEN under my hand and seal of office at Austin, Texas, this the 18th day of December  
2013.



SUSAN COMBS  
Comptroller of Public Accounts  
of the State of Texas

**WILLATT & FLICKINGER**  
**ATTORNEYS AT LAW**

2001 NORTH LAMAR • AUSTIN, TEXAS 78705 • (512) 476-6604 • FAX (512) 469-9148

December 18, 2013

**VIA COURIER**

Mr. Jose A. Gaytan  
VP Relationship Manager  
Corporate Trust Services  
Bank of Texas  
100 Congress Avenue, Suite 250  
Austin, Texas 78701

**Re: \$2,055,000 South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013**

Dear Jose:

In connection with the closing on the sale of the above-captioned Bonds, please find enclosed the following:

**The Bonds**

Enclosed are:

- i. The Initial Bond, Number T-1.
- ii. Definitive Bonds Numbered R-1 through R-21.

**Funding.**

Enclosed are Closing Instructions from Specialized Public Finance Inc. Pursuant to the Official Bid Form accepted by the Board of Directors of South Buda Water Control and Improvement District No. 1 on November 21, 2013 Southwest Securities, Inc. (the "Purchaser") will wire, on the closing date, funds for payment of the purchase price of the Bonds as described in the enclosed Closing Instructions.

Please make the wire transfers set forth in the Closing Instructions.

\$400.00 is to be retained by Bank of Texas for paying agent fee for the Bonds.

Mr. Jose A. Gaytan  
December 18, 2013  
Page 2

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**Release and Cancellation of Bonds.**

Immediately upon receipt of the proceeds referred to above, cancel the Initial Bond and authenticate the Definitive Bonds. Please provide for release of the Definitive Bonds through DTC's fast delivery procedures by contacting DTC at (212) 989-3755.

**Additional Documents.**

Also enclosed are executed originals of the following documents.

- i. Paying Agent/Registrar Agreement with respect to the above-captioned Bonds.
- ii. Opinion of Bond Counsel.
- iii. Certified copy of the Ordinance authorizing the above-captioned Bonds.
- iv. Attorney General Opinion.

**Good Faith Check.**

Specialized Public Finance Inc. will return the good faith check to the Purchaser

Please let me know if further information or documents are needed.

Very truly yours,



Mike Willatt

MW/jc  
Enclosures

cc Distribution List (Via Electronic Transmission Only)  
(w/ Closing Instructions Only)



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

248 Addie Roy Road, Suite B-103  
Austin, Texas 78746  
Phone: 512.275.7300  
www.spubfin.com

**Date:** December 17, 2013  
**To:** Attached Distribution  
**From:** Dan Wegmiller  
**Re:** \$2,055,000 South Buda Water Control and Improvement District No. 1 (the "District")  
Unlimited Tax Road Bonds, Series 2013 (the "Bonds")

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- 1) On *Thursday, December 19, 2013* (the "Closing Date"), by 10:00 AM, CST, Southwest Securities, Inc. (the "Purchaser") will wire to BOKF, NA dba Bank of Texas (the "Paying Agent/Registrar") the amount of \$1,996,843.50 (the "Purchase Price") which consists of the following:

Par Amount of the Bonds	\$ 2,055,000.00
Less: Bid Discount	<u>(58,156.50)</u>
Total Purchase Price	\$ 1,996,843.50

BOKF, NA dba Bank of Texas  
ABA: 103900036  
Acct. No.: 600024642  
Acct Name: Wealth Management Demand Account  
Re: South Buda WCID #1 Unlimited Tax Bonds, Series 2013  
Attn: Jose Gaytan 512/813-2002

- 2) Upon receipt of the funds, the Paying Agent/Registrar will complete the following:

A) Wire transfer \$1,905,219.72 to the District's Project Fund Account:

American Bank of Commerce  
ABA #: 114917814  
Account #: 3002039  
Reference: South Buda WCID #1 Construction Fund

B) Wire transfer \$2,055.00 to the District's Debt Service Fund:

American Bank of Commerce  
ABA #: 114917814  
Account #: 3002101  
Reference: South Buda WCID #1 – Debt Service Fund

- C) Wire transfer \$30,825.00 to Willatt & Flickinger for Bond Counsel fees incurred in connection with the issuance of the Bonds.

Frost National Bank  
Austin, Texas  
ABA #: 114000093  
Acct. #: 591053566  
Ref: Willatt & Flickinger

- D) Wire transfer \$12,000.00 to Andrews Kurth LLP for Disclosure Counsel fee incurred in connection with the issuance of the Bonds.

JPMorgan Chase Bank  
Houston, Texas  
ABA #: 021000021  
Account #: 00100184952  
Attention: Tiffany Sanders 713/750-3725  
Reference: #07874 008583/0212916

- E) Wire transfer \$46,343.78 to Specialized Public Finance Inc. for Financial Advisory Services (\$35,962.50) and reimbursable expenses (\$12,436.28) related to the issuance of the Bonds.

The Independent Bankers Bank  
ABA #: 111010170  
Beneficiary: Pioneer Bank, SSB  
Acct. #: 1019660  
Further Credit: Specialized Public Finance Inc.  
Acct. #: 2002079

- F) Retain \$400.00 for Paying Agent/Registrar services for the Bonds.

If you have any questions, please feel free to contact either Dan Wegmiller or Monica Melvin at 512/275-7300.

Thank you.



**DEVELOPER**

**Grant E. Gist**

The Meadows at Buda  
603 Davis Street, Suite 803  
Austin, TX 78701  
512/992-2181  
[grant@ggist.com](mailto:grant@ggist.com)  
[ryan.mattox@lennar.com](mailto:ryan.mattox@lennar.com)

**ENGINEER**

**Brian Williams**

**David Gray**

Project Manager  
Gray Engineering, Inc.  
8834 N. Capital of Texas Highway, Suite 140  
Austin, Texas 78759  
512/452-0371  
512/454-9933 Fax  
[bwilliams@gja.net](mailto:bwilliams@gja.net)  
[DWG@gja.net](mailto:DWG@gja.net)

**FINANCIAL ADVISOR**

**Dan Wegmiller**

Specialized Public Finance Inc.  
248 Addie Roy Road, #B-103  
Austin, Texas 78746  
512/275-7300  
512/275-7305 Fax  
[dan@spubfin.com](mailto:dan@spubfin.com)  
[jeff@spubfin.com](mailto:jeff@spubfin.com)  
[monica@spubfin.com](mailto:monica@spubfin.com)

**AUDITOR**

**Jimmy Romell**

Maxwell Locke & Ritter LLP  
401 Congress Avenue, Suite 1100  
Austin TX 78701  
512/370-3265  
512/370-3250 Fax  
[jromell@mlrpc.com](mailto:jromell@mlrpc.com)

**BOND COUNSEL**

**Mike Willatt**

**Jeniffer Concienne**

Willatt & Flickinger  
2001 North Lamar  
Austin, Texas 78705  
512/476-6604

[mwillatt@wfaustin.com](mailto:mwillatt@wfaustin.com)

[jconcienne@wfaustin.com](mailto:jconcienne@wfaustin.com)

**DISCLOSURE COUNSEL**

**Jerry Kyle**

Andrews Kurth LLP  
111 Congress Avenue, Suite 1700  
Austin, Texas 78701  
512/320-9271  
[jerrykyle@akllp.com](mailto:jerrykyle@akllp.com)  
[gregshields@akllp.com](mailto:gregshields@akllp.com)

**PURCHASER**

**Liz Fields**

Southwest Securities, Inc.  
1201 Elm Street, Suite 3500  
Dallas, Texas 75270  
214.859.9462 direct  
[zula.brown@swst.com](mailto:zula.brown@swst.com)  
[Liz.Fields@swst.com](mailto:Liz.Fields@swst.com)  
[dmoreland@swst.com](mailto:dmoreland@swst.com)

**PAYING AGENT/REGISTRAR**

**Jose Gaytan**

BOKF, NA dba Bank of Texas  
100 Congress, Suite 250  
Austin, Texas 78701  
512/813-2002  
[jgaytan@bankoftexas.com](mailto:jgaytan@bankoftexas.com)

cc: [Melanie@awrservices.net](mailto:Melanie@awrservices.net)

U.S. Postal Service™

# CERTIFIED MAIL™ RECEIPT

*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)®

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(Endorsement Required)

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(Endorsement Required)

Total Postage & Fees

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Here

Sent 7

Street,  
or PO

City, S

Department of Treasury  
Internal Revenue Service Center  
Ogden, Utah 84201

SB-3rd Issue

Instructions

## **Certified Mail Provides:**

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

### ***Important Reminders:***

- Certified Mail may **ONLY** be combined with First-Class Mail® or Priority Mail®.
- Certified Mail is *not* available for any class of international mail.
- **NO INSURANCE COVERAGE IS PROVIDED** with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

**IMPORTANT: Save this receipt and present it when making an inquiry.**

PS Form 3800, August 2006 (*Reverse*) PSN 7530-02-000-9047

**WILLATT & FLICKINGER**  
**ATTORNEYS AT LAW**

2001 NORTH LAMAR • AUSTIN, TEXAS 78705 • (512) 476-6604 • FAX (512) 469-9148

January 3, 2014

**VIA CERTIFIED MAIL,**  
**RETURN RECEIPT REQUESTED**

Department of Treasury  
Internal Revenue Service Center  
Ogden, Utah 84201

**Re: 8038-G**

Dear Service Center:

Enclosed for filing is the original Form 8038-G in connection with the issuance of \$2,055,000 South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, Series 2013.

Please call if any questions arise.

Very truly yours,

  
Mike Willatt

MW/jc  
Enclosures

# Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)  
► See separate instructions.  
Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
<b>1</b> Issuer's name <b>South Buda Water Control and Improvement District No. 1</b>		<b>2</b> Issuer's employer identification number (EIN) <b>11-3773945</b>	
<b>3a</b> Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) <b>Mike Willatt</b>		<b>3b</b> Telephone number of other person shown on 3a <b>(512) 476-6604</b>	
<b>4</b> Number and street (or P.O. box if mail is not delivered to street address) <b>2001 North Lamar</b>	<b>Room/suite</b> <b>n/a</b>	<b>5</b> Report number (For IRS Use Only) <b>3</b>	
<b>6</b> City, town, or post office, state, and ZIP code <b>Austin, Texas 78705</b>		<b>7</b> Date of issue <b>December 19, 2013</b>	
<b>8</b> Name of issue <b>South Buda Water Control and Improvement District No. 1 Unlimited Tax Road Bonds, 2013</b>		<b>9</b> CUSIP number <b>836809DG5</b>	
<b>10a</b> Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Mike Willatt, Bond Counsel</b>		<b>10b</b> Telephone number of officer or other employee shown on 10a <b>(512) 476-6604</b>	

<b>Part II Type of Issue (enter the issue price). See the instructions and attach schedule.</b>			
<b>11</b> Education . . . . .	<b>11</b>		
<b>12</b> Health and hospital . . . . .	<b>12</b>		
<b>13</b> Transportation . . . . .	<b>13</b>	<b>2,052,182</b>	<b>00</b>
<b>14</b> Public safety . . . . .	<b>14</b>		
<b>15</b> Environment (including sewage bonds) . . . . .	<b>15</b>		
<b>16</b> Housing . . . . .	<b>16</b>		
<b>17</b> Utilities . . . . .	<b>17</b>		
<b>18</b> Other. Describe ►	<b>18</b>		
<b>19</b> If obligations are TANs or RANs, check only box 19a . . . . . ► <input type="checkbox"/>			
If obligations are BANs, check only box 19b . . . . . ► <input type="checkbox"/>			
<b>20</b> If obligations are in the form of a lease or installment sale, check box . . . . . ► <input type="checkbox"/>			

<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
<b>21</b>	<b>08/01/2043</b>	<b>\$ 2,052,182</b>	<b>\$ 2,055,000</b>	<b>19.459 years</b>	<b>4.7874728 %</b>

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>					
<b>22</b> Proceeds used for accrued interest . . . . .	<b>22</b>	<b>0</b>	<b>00</b>		
<b>23</b> Issue price of entire issue (enter amount from line 21, column (b)) . . . . .	<b>23</b>	<b>2,052,182</b>	<b>00</b>		
<b>24</b> Proceeds used for bond issuance costs (including underwriters' discount) . . . . .	<b>24</b>	<b>91,624</b>	<b>00</b>		
<b>25</b> Proceeds used for credit enhancement . . . . .	<b>25</b>	<b>0</b>	<b>00</b>		
<b>26</b> Proceeds allocated to reasonably required reserve or replacement fund . . . . .	<b>26</b>	<b>0</b>	<b>00</b>		
<b>27</b> Proceeds used to currently refund prior issues . . . . .	<b>27</b>	<b>0</b>	<b>00</b>		
<b>28</b> Proceeds used to advance refund prior issues . . . . .	<b>28</b>	<b>0</b>	<b>00</b>		
<b>29</b> Total (add lines 24 through 28) . . . . .	<b>29</b>	<b>91,624</b>	<b>00</b>		
<b>30</b> Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) . . . . .	<b>30</b>	<b>1,960,558</b>	<b>00</b>		

<b>Part V Description of Refunded Bonds. Complete this part only for refunding bonds.</b>		
<b>31</b> Enter the remaining weighted average maturity of the bonds to be currently refunded . . . . .	<b>n/a</b>	<b>years</b>
<b>32</b> Enter the remaining weighted average maturity of the bonds to be advance refunded . . . . .	<b>n/a</b>	<b>years</b>
<b>33</b> Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) . . . . .	<b>n/a</b>	
<b>34</b> Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)		

**Part VI Miscellaneous**

- |            |  |     |
|------------|--|-----|
| <b>35</b>  |  | n/a |
| <b>36a</b> |  | n/a |
| <b>37</b>  |  | n/a |
- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .
- b** Enter the final maturity date of the GIC ▶ \_\_\_\_\_
- c** Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ \_\_\_\_\_
- c** Enter the EIN of the issuer of the master pool obligation ▶ \_\_\_\_\_
- d** Enter the name of the issuer of the master pool obligation ▶ \_\_\_\_\_
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . ☒
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ☐
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ \_\_\_\_\_
- c** Type of hedge ▶ \_\_\_\_\_
- d** Term of hedge ▶ \_\_\_\_\_
- 42** If the issuer has superintegrated the hedge, check box . . . . . ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ☐
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ☐
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement . . . . . ▶ \_\_\_\_\_
- b** Enter the date the official intent was adopted ▶ \_\_\_\_\_

**Signature and Consent**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative Marvin B. Morgan, President Date 1/3/2014 Marvin B. Morgan, President  
Type or print name and title

**Paid Preparer Use Only**

Print/Type preparer's name <b>Mike Willatt</b>	Preparer's signature <u>Mike Willatt</u>	Date <u>1-3-14</u>	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶ <b>Willatt &amp; Flickinger</b>			Firm's EIN ▶ <b>74-2768477</b>	
Firm's address ▶ <b>2001 North Lamar, Austin, Texas 78705</b>			Phone no. <b>(512) 476-6604</b>	

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
UNLIMITED TAX ROAD BONDS, SERIES 2013**

**NO. R-1**

**PRINCIPAL  
AMOUNT  
\$35,000**

<b><u>INTEREST RATE</u></b>	<b><u>DATE OF BONDS</u></b>	<b><u>MATURITY DATE</u></b>	<b><u>CUSIP NO.</u></b>
<b>2.250%</b>	<b>November 15, 2013</b>	<b>August 1, 2016</b>	<b>836809CD3</b>

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: THIRTY-FIVE THOUSAND DOLLARS**

ON THE MATURITY DATE specified above, **SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1** (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 date of initial delivery of this Bond, payable on August 1, 2014, and semiannually on each February 1 and August 1 thereafter 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 its 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 date of initial delivery of this Bond is attached hereto.

**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 the designated office for payment of BOKF, NA dba Bank of Texas, (the "Paying Agent/Registrar") 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 Paying Agent/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 Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/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 on the close of business on the fifteenth (15) day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/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 any 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 five 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 Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

**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 Paying Agent/Registrar, from the "Interest and Sinking Fund" created 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.

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

**THIS BOND** is one of a series of Bonds dated as of November 15, 2013 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$2,055,000 FOR THE PURPOSE OR PURPOSES AUTHORIZED BY THE BOND ELECTION INCLUDING (1) PAYMENT FOR ROAD IMPROVEMENTS WITHIN THE DISTRICT; (2) CAPITALIZED INTEREST ON THE BONDS AND (3) CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.** The Bonds are



issued under the authority of the Texas Constitution, and laws of the State of Texas, including particularly Chapter 9004, Special District Local Laws Code, and the General Laws of the State of Texas relating to the issuance of Bonds by political subdivisions of the State of Texas.

**ON AUGUST 1, 2022 OR ON ANY DATE THEREAFTER**, the Bonds maturing on and after August 1, 2023, 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. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**THE BONDS MATURING ON** August 1, 2034, August 1, 2036, August 1, 2038 and August 1, 2043 (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 on the respective dates and in principal amounts as follows:

**Term Bond Maturing on August 1, 2034**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
<b>August 1, 2033</b>	<b>\$80,000</b>
<b>August 1, 2034*</b>	<b>\$85,000</b>

\* Stated Maturity

**Term Bond Maturing on August 1, 2036**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
<b>August 1, 2035</b>	<b>\$90,000</b>
<b>August 1, 2036*</b>	<b>\$95,000</b>

\* Stated Maturity

**Term Bond Maturing on August 1, 2038**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2037	\$100,000
August 1, 2038*	\$105,000

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\* Stated Maturity

**Term Bond Maturing on August 1, 2043**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
August 1, 2039	\$110,000
August 1, 2040	\$115,000
August 1, 2041	\$125,000
August 1, 2042	\$130,000
August 1, 2043*	\$140,000

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\* Stated Maturity

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

**NOT LESS THAN** 30 days prior to the date fixed for any such redemption, the District shall cause the Paying Agent/Registrar to send notice by United States mail, first-class postage prepaid to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books of the Paying Agent/Registrar at the close of business on the 45<sup>th</sup> day prior to the redemption date and to major securities depositories, national bond rating agencies and bond information services; provided, however, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bonds. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption

due price for the Bonds or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, 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 Ordinance.

The Paying Agent/Registrar 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, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bond to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar 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 Bond or the providing of notice to the DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bond for redemption.

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

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in the denominations 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 Bonds to the Paying Agent/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 Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/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 Paying Agent/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 Paying Agent/Registrar's reasonable standard or customary fees and charged 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 Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (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 or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

**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 Paying Agent/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 a tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bond Order provides that the pledge of taxes to the payment of the Bonds shall terminate at such time, if ever, as money and/or direct obligations of the United States or obligations unconditionally guaranteed by the United States in an amount sufficient to defease the Bonds is deposited with or made available to the Paying Agent/Registrar in accordance with the Bond Order.

**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, to pay when due the 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, 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 (i) additional bonds equally secured by a pledge of taxes; (ii) bonds, notes, and other obligations of inferior liens; and (iii) revenue bonds, payable solely from contracts with other persons, including private corporations, municipalities, and political subdivisions to finance facilities needed in performing any such contracts. Reference is made to the Bond Order for a complete description of the right to issue additional obligations.

**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 Paying Agent/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.

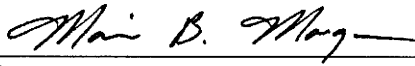
**IT IS FURTHER CERTIFIED** that this obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; Ex Parte South Buda Water Control and Improvement District No. 1; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation.

**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.

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**SOUTH BUDA WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1**

  
Secretary,  
Board of Directors

  
President,  
Board of Directors

[DISTRICT SEAL]

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**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.

**BOKF, NA dba Bank of Texas**  
Paying Agent/Registrar

Dated:

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



**FORM OF ASSIGNMENT:**

**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 Bond on the  
books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed  
by an eligible guarantor institution participating  
in a securities transfer association recognized  
signature guarantee program.

\_\_\_\_\_  
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  
of enlargement or any change whatsoever.

**FORM OF REGISTRATION CERTIFICATE OF**  
**THE COMPTROLLER OF PUBLIC ACCOUNTS**

**COMPTROLLER'S REGISTRATION CERTIFICATE:      REGISTER NO.**

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of 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)

The Date of Initial Delivery of this Bond was December 19, 2013