

Legal Papers

PERTAINING
TO

\$3,625,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015

TRANSCRIPT OF PROCEEDINGS

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\$3,625,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015

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CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT §

We, the undersigned officers of the Board of Directors of the Brushy Creek Municipal Utility District (the "District"), hereby certify as follows:

The Board of Directors of the District convened in REGULAR MEETING ON THE 14th DAY OF MAY, 2015, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

Rebecca B. Tullos, President
Russ Shermer, Vice President
Kim Filiatrault, Secretary
Shean R. Dalton, Treasurer
Donna B. Parker – Assistant Secretary/Treasurer

and all of said persons were present, except the following absentees: Shean Dalton, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

ORDER AUTHORIZING THE ISSUANCE OF BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT AND A PAYING AGENT/REGISTRAR AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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

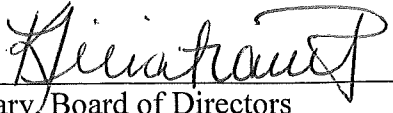
AYES: 4

NOES: 0

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 the Order has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of

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

SIGNED AND SEALED this May 14, 2015.


Secretary, Board of Directors


President, Board of Directors

(SEAL)

**ORDER AUTHORIZING THE ISSUANCE OF BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE
DEFINED AREA UNLIMITED TAX REFUNDING BONDS; LEVYING
AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN
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PURCHASE AGREEMENT, AN ESCROW AGREEMENT AND A PAYING
AGENT/REGISTRAR AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING
AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS
RELATED TO THE ISSUANCE OF THE BONDS**

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**ORDER AUTHORIZING THE ISSUANCE OF BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE
DEFINED AREA UNLIMITED TAX REFUNDING BONDS; LEVYING
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RELATED TO THE ISSUANCE OF THE BONDS**

STATE OF TEXAS §
COUNTY OF WILLIAMSON §
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT §

WHEREAS, Brushy Creek Municipal Utility District, formerly known as Williamson County Municipal Utility District No. 2, (collectively, the "District") was created by an Order of the Texas Water Commission, dated October 27, 1977, under the terms and provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended (collectively, the "Act"), together with all amendments and additions thereto, and the District has all the rights, powers, privileges, authority and functions conferred by and is subject to all duties imposed by the Texas Water Code and the general laws relating to municipal utility districts; and

WHEREAS, the Board of Directors of the District determined it to be in the best interest of the District to provide water, drainage and wastewater systems to serve the Sendero Springs and Cornerstone Defined Area described by metes and bounds in Exhibit "A" attached hereto (the "Defined Area") in order to induce the continued development of the District that benefits the Sendero Springs and Cornerstone tracts and will not burden existing taxpayers within the District for improvements in the Defined Area, thereby making it equitable to levy the tax on the Defined Area in accordance with Section 54.801 of the Texas Water Code; and

WHEREAS, at an election held on February 2, 2002 (the "Bond Election") the voters of the Sendero Springs and Cornerstone Defined Area authorized the issuance of bonds in one or more issues or Series in the maximum amount of \$24,500,000 maturing serially or otherwise over a period not to exceed forty (40) years from the date or dates, and to be issued and sold at any price or prices, and to bear interest at a rate not to exceed the maximum authorized by law at the times such bonds are issued (in whole or any part thereof), all as may be determined by the Board of Directors of said District, for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, maintaining, improving or extending plants, facilities and improvements for the waterworks, wastewater and drainage systems of the District located inside and outside its boundaries including, but not limited to, all additions to such system and all works, improvements, facilities, plants, equipment, appliances, interest in property, and contractual rights needed thereof and all organizational, administration, and operating costs during creation and construction periods, all costs associated with requirements for federal permits including stormwater and endangered species and administrative facilities needed in connection therewith, for the purpose of serving the Sendero Springs and Cornerstone Defined Area, and for refunding bonds and/or

other obligations issued for any of the foregoing purposes in an amount not to exceed one and one-half times the amount of bonds and/or other obligations hereafter issued and to provide for the payment of principal and interest on such bonds by the levy and collection annually of a sufficient ad valorem tax upon all taxable property within said Sendero Springs and Cornerstone Defined Area, as authorized by the constitution and laws of the State of Texas, including particularly (but not by way of limitation) chapters 49 and 54, Texas Water Code, as amended, together with all amendments and additions thereto; and

WHEREAS, the Defined Area currently has outstanding the following ad valorem tax bonds: \$1,695,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008, \$2,165,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009, \$2,235,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 and \$3,420,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (collectively, the "Outstanding Bonds"); and

WHEREAS, the District now desires to issue refunding bonds to refund all or part of the Outstanding Bonds (the "Refundable Bonds," and those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate, each as defined herein, to be refunded are herein referred to as the "Refunded Bonds"); and

WHEREAS, all the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

WHEREAS, the refunding bonds hereafter authorized are being issued and delivered pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"); and

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

WHEREAS, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve a net present value debt service savings of not less than 3.0% of the principal amount of the Refunded Bonds net of any District contribution with such savings, among other information and terms to be included in a pricing certificate to be executed by the General Manager of the District or in his absence the President of the Board of Directors, acting as the designated pricing officer of the District, all in accordance with the provisions of Chapter 1207, including Section 1207.007 thereof.

THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE BRUSHY CREEK MUNICIPAL UTILITY DISTRICT:

ARTICLE ONE

PREAMBLE

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

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01. **DEFINITIONS.** For all purposes of this Bond Order, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in Exhibit "B" to this Order have the meanings assigned to them in Exhibit "B".

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

ARTICLE THREE

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

SECTION 3.01. **AMOUNT, NAME, PURPOSE, AND AUTHORIZATION.** Each Bond issued pursuant to this Bond Order shall be known and designated: "BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BOND, and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$5,000,000 for the purpose of refunding the Refunded Bonds and paying certain costs of issuing the Bonds. The title of each of the Bonds shall be designated by the year in which it is awarded pursuant to Section 3.02 below.

The authority for the Pricing Officer to execute and deliver a Pricing Certificate for the Bonds shall expire at 5:00 p.m. C.D.T. on October 14, 2015. Bonds priced on or before 5:00 p.m. C.D.T. on October 14, 2015 may be delivered to the initial purchaser after such date.

SECTION 3.02. **DATE, DENOMINATIONS, NUMBERS, DELEGATION TO PRICING OFFICER.** (a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Compound Interest Bonds, numbered consecutively from R-1 upward, in the case of Current

Interest Bonds, and from PC-1 upward, in the case of Premium Compound Interest Bonds (except the initial Bonds delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof, in Authorized Denominations, maturing not later than June 1, 2033 serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Bond Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Bond Order and carrying out the other procedures specified in this Bond Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Compound Interest Bonds, the rate or rates of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium Compound Interest Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a net present value debt service savings of at least 3.0% of the principal amount of the Refunded Bonds, net of any District contribution. In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 3.01, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds.

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

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

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

If the Pricing Officer determines that the Bonds should be sold by a negotiated sale or placement, the Pricing Officer shall designate the placement purchaser or the Underwriter for the Bonds and such additional investment banking firms as the Pricing Officer deems appropriate to assure that the Bonds are sold on the most advantageous terms to the District. The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a bond purchase agreement or other agreement for the Bonds to be sold by negotiated sale or placement, with the Underwriters or placement purchasers at such price, with and subject to such terms as determined by the Pricing Officer pursuant to Section 3.02(b) above. The bond purchase agreement or other agreement shall be substantially in the form and substance previously approved by the District in connection with the authorization of refunding bonds with such changes as are acceptable to the Pricing Officer.

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

The Premium Compound Interest Bonds shall bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded on the Compounding Dates as set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bonds at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate, if Premium Compound Interest Bonds are to be issued, shall be the Accretion Table. The Accreted Value with respect to any date other than a Compounding Date is the amount set forth on the Accretion Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Accretion Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

SECTION 3.03. PAYMENT OF PRINCIPAL AND INTEREST. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the office for payment of the Registrar. The interest on each Bond shall be payable on as set forth in the Pricing Certificate by check or draft payable on the Interest Payment Date, mailed by the Registrar on or before each

Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for payment on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

SECTION 3.04. SUCCESSOR REGISTRARS. The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 60 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 3.05. SPECIAL RECORD DATE. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

SECTION 3.06. REGISTERED OWNERS. The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.06 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

SECTION 3.07. EXECUTION OF BONDS. The Bonds shall be signed on behalf of the District by the President of the Board of Directors and attested by the Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the

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

SECTION 3.08. AUTHENTICATION. The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

ARTICLE FOUR

REGISTRATION, TRANSFER, AND EXCHANGE

SECTION 4.01. REGISTRATION, TRANSFER, AND EXCHANGE. So long as any Bonds remain Outstanding, the Registrar shall keep at its designated office for payment the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Bond Order.

Each Bond shall be transferable only upon the presentation and surrender thereof at the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

SECTION 4.02. MUTILATED, LOST, OR STOLEN BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

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

- (a) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;
- (c) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) meet any other reasonable requirements of the District and the Registrar.

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

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

Each replacement Bond delivered in accordance with this Section 4.02 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

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

SECTION 4.04. BOOK-ENTRY-ONLY SYSTEM. (a) Book-Entry-Only System. The Bonds issued in exchange for the Initial Bond issued as provided in Section 3.02 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (b) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Bond 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 Bond Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

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

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

(e) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered bond, being one Bond, and the Initial Bond shall be registered in the name of the Underwriter or the designees thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Underwriter. Immediately after the delivery of the Initial Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in Section 4.04(b) and 3.02(a), all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

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

ARTICLE SIX

FORM OF BOND

SECTION 6.01. FORM OF BOND. The Bonds authorized by this Bond Order shall be in substantially the following form, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the terms of this Bond Order and the Pricing Certificate. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Bond Order.

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF TEXAS

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BOND
SERIES _____*

[FORM OF FIRST PARAGRAPHS OF CURRENT INTEREST BONDS]

NO. R- PRINCIPAL
AMOUNT
\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE SPECIFIED ABOVE, BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from _____* on _____* and semiannually on each _____* and _____* thereafter (an "Interest Payment Date") to the maturity date specified above, or _____*

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

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

the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at Wells Fargo Bank, N.A., which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Dallas, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

NO. PC-

**MATURITY
AMOUNT**

\$ _____

INTEREST RATE ISSUANCE DATE DATE OF BONDS MATURITY DATE

_____*

REGISTERED OWNER:

MATURITY AMOUNT:

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

THE MATURITY AMOUNT of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, at the designated office for payment of Wells Fargo Bank, N.A., which is the "Paying

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

Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Debt Service Fund" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

[FORM OF REMAINDER OF EACH BOND]

IF THE DATE for any payment due on this Bond shall be a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of _____* and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$_____* [constituting \$_____ Current Interest Bonds and \$_____ Premium Compound Interest Bonds]** **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

ON _____, 20__* **OR ON ANY DATE THEREAFTER**, the Current Interest Bonds maturing on and after _____, 20__*, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). The Premium Compound Interest Bonds are not subject to redemption prior to maturity.

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

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

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

Bonds Maturing _____, 20__

Redemption Date	Principal Amount
_____, 20__	\$
_____, 20__†	†

†Final Maturity

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

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

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

authorized denomination or denominations, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Order.

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

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

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

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

THE BONDS are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the Defined Area of the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a city dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

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

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

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the Defined Area within 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 Defined Area of the District and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

IN WITNESS WHEREOF, the District has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the Vice President 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.

**BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT**

Secretary [Assistant Secretary], Board of
Directors

President [Vice-President], Board of
Directors

(DISTRICT SEAL)

INSERTIONS FOR INITIAL BONDS

- (i) The Initial Current Interest Bond shall be in the form set forth in this Section, except that:
 - A. immediately under the name of the Current Interest Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.
 - B. the first paragraph of the Current Interest Bond shall be deleted and the following will be inserted:

"ON THE MATURITY DATE SPECIFIED BELOW, Brushy Creek Municipal Utility District (the "District"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on _____ * in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Principal Amount</u>	<u>Maturity Date ()</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Maturity Date ()</u>	<u>Interest Rate</u>
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(Information from Pricing Certificate to be inserted)

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

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

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

(ii) The Initial Premium Compound Interest Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO. _____" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"BRUSHY CREEK MUNICIPAL UTILITY DISTRICT, in Williamson County, Texas (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Payment at Maturity on _____* in each of the years and in installments of the respective Maturity Amounts set forth in the following schedule:

<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>()</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>()</u>	<u>Interest</u> <u>Rate</u>
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(Information for the Premium Compound Interest Bonds from the Pricing Certificate to be inserted)

The amount shown above as the respective Maturity Amounts represent the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on _____* and _____* of each year commencing _____*. For _____.

* As provided in the Pricing Certificate. To the extent that the Pricing Certificate relating to the Bonds is inconsistent with any provisions in this Form of Bond or contains information to complete the missing information in this Form of Bond, the language in the Pricing Certificate shall be
BrushyCreekMUD\SSCDA\UTR\15 ORDER 20

convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

C. the Initial Premium Compound Interest Bond shall be numbered "TPC-1."

SECTION 6.02. REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bond shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed on the face of the Initial Bond and shall be in substantially the following form:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

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

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

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

Dated: _____

Registrar

By _____
Authorized Representative

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

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

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

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

ARTICLE SEVEN

SECURITY OF THE BONDS

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

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

- (1) By September 1 in each year, or as soon thereafter as practicable, the Board shall consider the taxable property in the Defined Area of the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the Defined Area of the District.
- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
 - (i) the amount which should be levied for maintenance and operation purposes;

- (ii) the amount which should be levied for the payment of principal, interest, and redemption price of the bonds or notes payable in whole or in part from taxes;
 - (iii) the amount which should be levied for the purpose of paying all other contractual obligations of the District payable in whole or in part from the Defined Area taxes; and
 - (iv) the percentage of anticipated tax collections and the cost of collecting the taxes.
- (3) In determining the amount of taxes which should be levied each year, the Board shall consider whether proceeds from the sale of Bonds have been placed in the Debt Service Fund to pay interest on the Bonds and whether the Board reasonably expects to have revenue or receipts available from other sources which are legally available and appropriated to pay debt service on the Bonds.

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

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

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

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

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

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

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

ARTICLE EIGHT

FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01. FUNDS, FLOW OF FUNDS, APPLICATION OF FUNDS AND INVESTMENTS.

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

- (i) the Operating Fund;
- (ii) Debt Service Fund for the Bonds; and
- (iii) Series 2015 Escrow Fund.

Each fund shall be kept on the books and records of the District separate and apart from all other funds of the District. The Debt Service Fund for the Bonds 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 Bond Order until all of the Bonds have been retired, both as to principal and interest.

(b) Operating Fund. The Operating Fund of the District is hereby confirmed. The Operating Fund shall comprise the fund of the District used for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of the ownership and operation of the System and the District may deposit to the credit of the Operating Fund such other income or receipts of the District not otherwise required to be applied by this Bond Order. The Operating Fund shall be used solely (i) to pay all reasonable expenses of the administration, efficient operation, and adequate maintenance of the System, (ii) to transfer from time to time any

excess to the credit of the Debt Service Fund when needed to pay the obligations of the District payable therefrom, and (iii) to the extent the balance of the Debt Service Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Debt Service Fund, to pay any other expense of the District.

(c) Escrow Fund. The proceeds from the sale of the Bonds after making any deposit to the Debt Service Fund with accrued interest provided and paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund as described in the Escrow Agreement.

SECTION 8.02. SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

SECTION 8.03. DEBT SERVICE FUND; TAX LEVY. The District shall deposit or cause to be deposited into the Debt Service Fund the aggregate of the following at the time specified:

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

On or before the date for payment of the principal and/or Interest Payment Date on the Bonds, the Board of Directors shall cause the transfer of moneys out of the Debt Service Fund to the Registrar in an amount not less than that which is sufficient to pay the principal which matures on such date and the interest which accrues on such date. The District shall pay fees and charges of the Registrar for its services as paying agent and registrar for the Bonds from the Debt Service Fund.

SECTION 8.04. INVESTMENTS; EARNINGS. Moneys deposited into the Debt Service Fund and the Operating Fund may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

ARTICLE NINE

APPLICATION OF FUNDS

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

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

SECTION 9.03. ESCROW FUND. Other than bond proceeds deposited to the Debt Service Fund or used to pay costs of issuance, all Bond proceeds shall be deposited in the Escrow Fund to defease and redeem the Refunded Bonds.

ARTICLE TEN

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

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

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

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

(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(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond, for a period of 90 days and in the case of an advance refunding bond, for a period of 30 days,

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

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

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

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

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

(c) Proceeds. The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred

proceeds (if any) and proceeds of the Refunded Bonds not expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President of the Board of Directors and General Manager 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) Disposition of Project. The District covenants that the property constituting the projects refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Designation as Qualified Tax-Exempt Bonds. The Pricing Officer is authorized to designate the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code, if the District qualifies to make such designation at the time of the pricing of the Bonds, conditioned upon the purchaser identified in the Pricing Certificate certifying that the aggregate initial offering price of the Bonds to the public (excluding any accrued interest) is no greater than \$10,000,000 (or such amount permitted by section 265 of the Code). Assuming such condition is met and the Pricing Officer makes such designation in the Pricing Certificate, 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 (or such amount permitted by section 265 of the Code) of "qualified tax-exempt obligations" 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 (or such amount permitted by section 265 of the Code); 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. The Pricing Officer may modify the foregoing

representations, covenants and warranties in the Pricing Certificate as necessary and appropriate to comply with applicable provisions of the Code in existence at the time of pricing of the Bonds.

ARTICLE ELEVEN

ADDITIONAL BONDS AND REFUNDING BONDS

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

- (a) the unissued unlimited tax bonds which remain authorized but unissued; and
- (b) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

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

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

ARTICLE TWELVE

DEFAULT PROVISIONS

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

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

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

(b) Remedies for Default.

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

(2) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then Outstanding.

(c) Remedies Not Exclusive.

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

(2) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(3) By accepting the delivery of a Bond authorized under this Order, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or the District.

(4) None of the members of the Board of Directors, nor any other official or officer, agent, or employee of the District, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Bond Order, or because of any Event of Default or alleged Event of Default under this Bond Order.

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

ARTICLE THIRTEEN

DISCHARGE BY DEPOSIT

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

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

(c) Notwithstanding any provision of any other Section of this Bond 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 Bond 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 a commercial bank or trust company pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

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

ARTICLE FOURTEEN

MISCELLANEOUS PROVISIONS

SECTION 14.01. DISTRICT'S SUCCESSORS AND ASSIGNS. Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

SECTION 14.02. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing the Bonds.

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

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

SECTION 14.05. BENEFITS OF ORDER PROVISIONS. Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm,

or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

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

SECTION 14.07. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

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

SECTION 14.09. FURTHER PROCEEDINGS. The 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.

ARTICLE FIFTEEN

APPROVAL OF DOCUMENTS

SECTION 15.01. APPROVAL, REGISTRATION, AND DELIVERY. The President of the Board of Directors of the District and representatives of McCall, Parkhurst & Horton L.L.P. are hereby authorized and directed to submit the Initial Bond and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bond to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bond, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on the Initial Bond, and the seal of the Comptroller shall be impressed or placed in facsimile on the Initial Bond. After the Initial Bond has been registered, signed, and sealed by

the Comptroller, it shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price.

SECTION 15.02 APPROVAL OF OFFERING DOCUMENTS, ESCROW AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT. The Pricing Officer is hereby authorized to approve the Preliminary Official Statement, the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto and to deem such documents final in accordance with Rule 15c2-12. The District further approves the distribution of such Official Statement in the reoffering of the Bonds by the Purchaser in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Paying Agent/Registrar Agreement by and between the District and the Paying Agent/Registrar ("Paying Agent Agreement") is in substantially the form and substance previously approved by the District in previous transactions. The Pricing Officer is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement as necessary.

The discharge and defeasance of Refunded Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement, in the form and containing the terms and provisions as shall be approved by a Pricing Officer, including any insertions, additions, deletions, and modifications as may be necessary (a) to carry out the program designed for the District by the purchasers, (b) to maximize the District's present value savings and/or to minimize the District's costs of refunding, (c) to comply with all applicable laws and regulations relating to the refunding of the Refunded Obligations and (d) to carry out the other intents and purposes of this Bond Order; and, the Pricing Officer is hereby authorized to execute and deliver such Escrow Agreement, on behalf of the District, in multiple counterparts.

To maximize the District's present value savings and to minimize the District's costs of refunding, the District hereby authorizes and directs that certain of the Refunded Bonds shall be called for redemption prior to maturity in the amounts, at the dates and at the redemption prices set forth in each Pricing Certificate, and the Pricing Officer is hereby authorized and directed to take all necessary and appropriate action to give or cause to be given a notice of redemption to the holders or paying agent/registrars, as appropriate, of such Refunded Bonds, in the manner required by the documents authorizing the issuance of such Refunded Bonds.

The Pricing Officer and the Escrow Agent are each hereby authorized (a) to subscribe for, agree to purchase, and purchase Defeasance Securities that are permitted investments for a defeasance escrow established to defease Refunded Bonds, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved, and (b) to authorize such contributions to the escrow fund as are provided in the Escrow Agreement.

ARTICLE SIXTEEN

OPEN MEETING AND EFFECTIVE DATE

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

SECTION 16.02. EFFECTIVE DATE OF BOND ORDER. This Bond Order shall take effect and be in full force and effect upon and after its passage.

ARTICLE SEVENTEEN

AMENDMENTS

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

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

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

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

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

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

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (f) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners. The District may, at any time, amend this Bond Order to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of

the Registered Owners, provided that no such amendment shall be made contrary to the provision to Section 17.01 (a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

ARTICLE EIGHTEEN

OTHER ACTIONS AND MATTERS

SECTION 18.01. OTHER ACTIONS. The President, Vice President or Treasurer and Secretary of the Board of Directors of the District, and the General Manager of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and Secretary of the Board of Directors of the District, the District's General Counsel and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Bond Order or to any of the instruments authorized and approved by this Bond Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Bond Order and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of the Bond Insurer, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

SECTION 18.02. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

ARTICLE NINETEEN

CONTINUING DISCLOSURE

SECTION 19.01. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District ending in or after 2015, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 13 of this Order, being information designated by the Pricing Officer in the Pricing Certificate. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit "C" hereto, or such other accounting principles as the

District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

The financial information and operating data to be provided pursuant to this section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(a) Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if material within the meaning of the federal securities laws;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds
- G. Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws;
- H. Bond calls, if material within the meaning of the federal securities laws and tender offers;
- I. Defeasances;

- J. Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the District;
- M. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and
- N. Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

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

(b) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 13.01 of this Bond Order that causes the Bonds no longer to be outstanding.

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

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND

REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

Should the Rule be amended to obligate the District to make filings with or provide notices to entities other than the MSRB, the District hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

EXHIBIT "A"
METES AND BOUNDS

FIELD NOTES FOR 222.785 ACRES

FIELD NOTES DESCRIBING 222.785 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being a portion of the remainder of that certain 474.91 acre tract of land conveyed to Hy-Land North Joint Venture by Warranty Deed recorded in Volume 639, Page 693 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as PARCEL "A", PARCEL "B" and PARCEL "C" as follows:

PARCEL "A" (27.239 ACRES)

BEGINNING at an iron found on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 28, Block 14, Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of the Plat Records of Williamson County, Texas, for the Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the South right-of-way line of F.M. 1431, N70°16'46"E, 814.55 feet to an iron pin set at the Northwest corner of Lot 31, Block B, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for an ell corner of this tract.

THENCE along the perimeter of said Lot 31, Block B, the following two (2) courses:

1. S19°43'14"E, 10.00 feet to an iron pin set for an angle point of this tract.
2. S83°09'19"E, 122.98 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Northeast corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. S19°43'14"E, 95.00 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears S26°50'44"E, 100.78 feet to an iron pin set at the Point of Reverse Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 11°30'50".
3. along the arc of said curve 81.64 feet, the sub-chord of which bears S28°12'48"E, 81.50 feet to an iron pin set at the Northeast corner of Lot 24, Block B of said Sendero Springs Section One, for the Point of Tangency of said curve.

THENCE along the perimeter of Sendero Springs, the following ten (10) courses:

1. S70°16'46"W, 592.09 feet to an iron pin set for an angle point of this tract.
2. S00°32'31"W, 167.32 feet to an iron pin set for an angle point of this tract.
3. S10°17'10"W, 124.03 feet to an iron pin set for an angle point of this tract.
4. N87°49'59"E, 217.61 feet to an iron pin set for an angle point of this tract.
5. N70°16'46"E, 85.00 feet to an iron pin set for an ell corner of this tract.
6. S19°43'14"E, 125.00 feet to an iron pin set for an ell corner of this tract.
7. S70°16'46"W, 18.64 feet to an iron pin set for an ell corner of this tract.
8. S19°43'14"E, 50.00 feet to an iron pin set for an angle point of this tract.
9. S26°18'50"E, 135.90 feet to an iron pin set for an angle point of this tract.
10. N70°16'46"E, 423.09 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for an ell corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following two (2) courses:

1. S19°43'14"E, 110.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".
2. along the arc of said curve 39.27 feet, the long chord of which bears S25°16'46"W, 35.36 feet to an iron pin set on the North right-of-way line of Luminoso Lane West, for the Point of Tangency of said curve.

THENCE crossing said Luminoso Lane West, S19°43'14"E, 50.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".

THENCE along the arc of said curve 39.27 feet, the long chord of which bears S64°43'14"E, 35.36 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Point of Tangency of said curve.

THENCE along the West right-of-way line of Sendero Springs Drive, the following four (4) courses:

1. S19°43'14"E, 4.09 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 511.93 feet and a central angle of 5°56'24".
2. along the arc of said curve 53.07 feet, the long chord of which bears S16°45'02"E, 53.05 feet to an iron pin set at the Point of Tangency of said curve.
3. S13°46'50"E, 140.41 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 13°29'04".

4. along the arc of said curve 129.44 feet, the long chord of which bears S20°31'22"E, 129.14 feet to an iron pin set on the Northwest right-of-way line of Great Oaks Drive, for the Point of Reverse Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 82°30'19".

THENCE along the Northwest right-of-way line of Great Oaks Drive, the following five (5) courses:

1. along the arc of said curve 36.00 feet, the long chord of which bears S13°59'15"W, 32.97 feet to an iron pin set at the Point of Tangency of said curve.
2. S55°14'25"W, 41.15 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 17°45'15".
3. along the arc of said curve 170.43 feet, the long chord of which bears S46°21'47"W, 169.75 feet to an iron pin set at the Point of Tangency of said curve.
4. S37°29'09"W, 102.73 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 935.00 feet and a central angle of 11°51'59".
5. along the arc of said curve 193.65 feet, the long chord of which bears S33°31'10"W, 193.90 feet to an iron pin set at the East corner of Lot 2, Block 18 of said Brushy Creek North Section Two, for the South corner of this tract.

THENCE along the perimeter of said Brushy Creek North Section Two, the following twenty (20) courses:

1. N57°41'05"W, 150.00 feet to an iron pin found for an angle point of this tract.
2. N77°31'05"W, 115.01 feet to an iron pin found for an angle point of this tract.
3. N67°32'22"W, 69.61 feet to an iron pin found for an angle point of this tract.
4. N11°56'05"E, 159.72 feet to an iron pin found for an angle point of this tract.
5. N61°16'56"W, 150.04 feet to an iron pin found on the Southeast right-of-way line of Pheasant Hollow at the North corner of Lot 11, Block 18 of said Section Two, for an angle point of this tract.
6. N61°16'56"W, 50.00 feet to an iron pin set on the Northwest right-of-way line of Pheasant Hollow, for an angle point of this tract.
7. along the Northwest right-of-way line of Pheasant Hollow, S26°29'36"W, 14.82 feet to an iron pin found at the East corner of Lot 1, Block 19 of said Section Two, for an angle point of this tract.
8. N61°10'15"W, 200.13 feet to an iron pin found for an angle point of this tract.
9. N28°49'29"E, 80.14 feet to an iron pin found for an angle point of this tract.
10. N59°55'06"W, 69.95 feet to an iron pin found for an angle point of this tract.
11. S83°24'37"W, 150.20 feet to an iron pin found for on the East right-of-way line of Quail Run at the Northwest corner of Lot 2, Block 19 of said Section Two, for an angle point of this tract.

12. S83°08'21"W, 49.87 feet to an iron pin found on the West right-of-way line of Quail Run, for an angle point of this tract.
13. along the West right-of-way line of Quail Run, N06°54'06"W, 15.00 feet to an iron pin set at the Northeast corner of Lot 16, Block 17 of said Section Two, for an angle point of this tract.
14. S80°11'12"W, 173.86 feet to an iron pin found for an angle point of this tract.
15. N00°45'49"E, 167.06 feet to an iron pin found for an angle point of this tract.
16. N10°12'04"E, 60.08 feet to an iron pin found for an angle point of this tract.
17. N10°10'21"E, 461.48 feet to an iron pin set for an angle point of this tract.
18. N28°09'43"W, 144.92 feet to an iron pin found on the South right-of-way line of Deer Track at the Northeast corner of Lot 1 of said Block 17, for an angle point of this tract.
19. N19°08'36"W, 50.02 feet to an iron pin found on the North right-of-way line of Deer Track at the Southeast corner of Lot 28, Block 14 of said Section Two, for an angle point of this tract.
20. N19°47'56"W, 150.01 to the POINT OF BEGINNING of the herein described tract, containing 27.239 acres of land, more or less.

PARCEL "B" (1.572 ACRES)

BEGINNING at an iron set on the South right-of-way line of F.M. 1431, at the Northeast corner of Lot 141, Block K, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for the most Northerly Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the North right-of-way line of F.M. 1431, N70°16'46"E, 165.00 feet to an iron pin set at the Northwest corner of Lot 138, of said Block K, for an ell corner of this tract.

THENCE along an East line of said Block K, S19°43'14"E, 262.46 feet to an iron pin set at the common rear corner of Lots 124, 125 and 127 of said Block K, for the Southeast corner of this tract.

THENCE along a North line of said Block K, S70°16'46"W, 288.12 feet to an iron pin set on the East right-of-way line of Sendero Springs Drive at the Northwest corner of Lot 139 of said Block K, being the Point of Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 0°21'28".

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. along the arc of said curve 2.54 feet, the sub-chord of which bears N05°38'58"W, 2.54 feet to an iron pin set at the Point of Reverse Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears N12°35'43"W, 100.78 feet to an iron pin set at the Point of Tangency of said curve.
3. N19°43'14"W, 95.00 feet to an iron pin set at the South corner of said Lot 141, for an angle point of this tract.

THENCE along the perimeter of said Lot 141, the following two (2) courses:

1. N43°42'52"E, 122.98 feet to an iron pin set for an angle point of this tract.
2. N19°43'14"W, 10.00 feet to the POINT OF BEGINNING of the herein described tract, containing 1.572 acres of land, more or less.

PARCEL "C" (193.974 ACRES)

BEGINNING at a brass disk found on the South right-of-way line of F.M. 1431, at the Northeast corner of the remainder of said 474.91 acre tract, for the Northeast corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the East line of said 474.91 acre tract, for the East line hereof, the following three (3) courses:

1. S21°05'27"E, 1718.82 feet to an angle point of this tract.
2. S67°58'25"W, 173.81 feet to an angle point of this tract.
3. S20°59'47"E, 2194.57 feet to the Southeast corner of said 474.91 acre tract, for the Southeast corner of this tract.

THENCE along the South line of said 474.91 acre tract, for the South line hereof, the following four (4) courses)

1. S65°42'43"W, 598.71 feet to an angle point of this tract.
2. S69°23'43"W, 1291.68 feet to an angle point of this tract.
3. S69°23'43"W, 100.00 feet to an angle point of this tract.
4. S69°23'43"W, 150.00 feet to the Southeast corner of Lot 34, Block 5, Brushy Creek North Section One, a subdivision of record in Cabinet C, Slides 303-309 of said Plat Records, for the Southwest corner of this tract.

THENCE along the East line of said Section One, and the East line of Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of said Plat Records, the following eleven (1) courses:

1. N20°37'42"W, 149.97 feet to an angle point of this tract.
2. N20°29'53"W, 1000.82 feet to an angle point of this tract.
3. N25°58'16"W, 171.13 feet to an angle point of this tract.
4. N36°27'01"W, 171.10 feet to an angle point of this tract.
5. N46°55'45"W, 171.10 feet to an iron pipe found for an angle point of this tract.
6. N57°11'47"W, 171.45 feet to an iron pin found for an angle point of this tract.
7. N67°37'54"W, 171.08 feet to an iron pin found for an angle point of this tract.
8. N76°11'14"W, 92.36 feet to an iron pipe found for an angle point of this tract.
9. N78°08'31"W, 79.64 feet to an iron pin found for an angle point of this tract.
10. N55°17'53"W, 199.98 feet to an iron pipe found at the North corner of Lot 12, Block 11 of said Brushy Creek North Section Two, for an angle point of this tract.
11. S42°26'56"W, 47.20 feet to an iron pin found for at the Southeast corner of Lot 1, Block F, of said Sendero Springs Section One, for an angle point of this tract.

THENCE along the perimeter of Sendero Springs Section One, the following twenty-nine (20) courses:

1. N50°34'54"W, 63.72 feet to an iron pin set at the South corner of Lot 2 of said Block F, for an angle point of this tract.
2. N39°18'26"E, 174.40 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 3°11'22".
3. along the West right-of-way line of Sendero Springs Drive, along the arc of said curve 30.62 feet, the sub-chord of which bears S52°17'15"E, 30.61 feet to an iron pin set at the Point of Tangency of said curve.
4. N36°14'40"E, 236.82 feet to an iron pin set at the East corner of Lot 26, Block M of said Sendero Springs Section One, for an ell corner of this tract.
5. N53°45'20"W, 35.00 feet to an iron pin set for an ell corner of this tract.
6. N36°14'40"E, 268.84 feet to an iron pin set for an angle point of this tract.
7. S73°03'39"E, 124.19 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 195.00 feet and a central angle of 31°58'29".
8. along the arc of said curve 108.82 feet, the sub-chord of which bears N04°00'04"E, 107.42 feet to an iron pin set at the Point of Tangency of said curve.
9. N11°59'11"W, 100.25 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 175.00 feet and a central angle of 24°20'10".
10. along the arc of said curve 74.33 feet, the long chord of which bears N24°09'16"W, 73.77 feet to an iron pin set at the Point of Tangency of said curve.

11. N36°19'21"W, 44.35 feet to an iron pin set for an ell corner of this tract.
12. S53°40'39"W, 148.61 feet to an iron pin set for an angle point of this tract.
13. N36°39'50"W, 161.02 feet to an iron pin set for an angle point of this tract.
14. N14°34'49"W, 19.71 feet to an iron pin set for an angle point of this tract.
15. N03°18'26"E, 132.48 feet to an iron pin set for an angle point of this tract.
16. N63°34'50"E, 165.54 feet to an iron pin set at the Southwest corner of Lot 12 of said Block M, for an angle point of this tract.
17. N70°14'06"E, 131.81 feet to an iron pin set for an angle point of this tract.
18. N62°49'47"E, 123.59 feet to an iron pin set on the West right-of-way line of Luminoso Lane East, for an ell corner of this tract.
19. along the West right-of-way line of Luminoso Lane East, S27°10'13"E, 13.07 to an iron pin set for an angle point of this tract.
20. N64°28'29"E, 129.36 feet to an iron pin set at the common rear corner of Lots 94 and 95 of Block K of said Sendero Springs Section One, for an angle point of this tract.
21. N67°50'10"E, 110.30 feet to an iron pin set at the common rear corner of Lots 96 and 97 of said Block K, for an angle point of this tract.
22. N69°25'47"E, 60.07 feet to an iron pin set at the common rear corner of Lots 97 and 98 of said Block K, for an angle point of this tract.
23. N70°47'37"E, 60.02 feet to an iron pin set at the common rear corner of Lots 98 and 99 of said Block K, for an angle point of this tract.
24. N72°14'15"E, 280.96 feet to an iron pin set at the East corner of said Lot 100 of said Block K, for an angle point of this tract.
25. N39°34'08"W, 243.96 feet to an iron pin set at the common rear corner of Lots 101 and 102 of said Block K, for an angle point of this tract.
26. N40°12'46"W, 171.63 feet to an iron pin set at the common rear corner of Lots 102 and 106 of said Block K, for an angle point of this tract.
27. N46°41'27"W, 237.44 feet to an iron pin set at the common rear corner of Lots 107 and 108 of said Block K, for an angle point of this tract.
28. N47°32'05"W, 295.98 feet to an iron pin set for an angle point of this tract.
29. N35°04'41"W, 55.69 feet to an iron pin set on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 138 of said Block K, for the Northwest corner of this tract.

THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

1. N70°16'46"E, 964.30 feet to a brass disk found for an angle point of this tract.
2. N70°24'56"E, 762.23 feet to the POINT OF BEGINNING of the herein described tract, containing 193.974 acres of land, more or less

IN ALL, said PARCEL "A", said PARCEL "B" and said PARCEL "C" contain an aggregate total of 222.785 acres of land, more or less

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray♦Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in cursive script, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

A handwritten date "25 September 01" written in cursive script over a horizontal line.

Date

FIELD NOTES FOR 193.898 ACRES

FIELD NOTES DESCRIBING 193.898 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being all of certain tract of land, described as 193.96 acres, conveyed to HRI Development Corporation by deed recorded in Volume 1660, Page 105 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point on the Southeast right-of-way line of R.R. 620 at the West corner of that certain 410.00 acre tract of land conveyed to Robinson Land, Ltd., by deed recorded in Volume 1996, Page 57 of said Deed Records, for the North corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE departing the Southeast right-of-way line of R.R. 620, along the East line hereof, the following two (2) courses)

1. S19°14'22"E, 1922.61 feet to an angle point of this tract.
2. S19°03'09"E, 1920.67 feet to the Southeast corner of this tract.

THENCE along the South hereof, the following two (2) courses)

1. S71°12'07"W, 2313.01 feet to an angle point of this tract.
2. S70°30'49"W, 991.72 feet to the Southwest corner of this tract.

THENCE along the West line hereof, N19°40'28"W, 1364.91 feet to a point on the Southeast right-of-way line of R.R. 620, for the West corner of this tract.

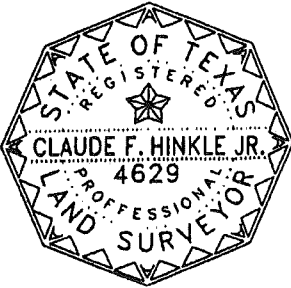
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

1. N36°39'52"E, 1934.46 feet to the Point of Curvature of a curve to the left having a radius of 5779.56 feet and a central angle of 6°39'00".
2. along the arc of said curve 670.80 feet, the long chord of which bears N33°20'22"E, 670.42 feet to the Point of Tangency of said curve.
3. N30°00'52"E, 836.20 feet to the Point of Curvature of a curve to the right having a radius of 5679.56 feet and a central angle of 4°32'00".
4. along the arc of said curve 449.38 feet, the long chord of which bears N32°16'52"E, 449.26 feet to the Point of Tangency of said curve.

5. N34°32'52"E, 250.01 feet to the POINT OF BEGINNING of the herein described tract containing 193.898 acres of land, more or less.

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray♦Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in black ink, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

Date 25 September 01

EXHIBIT "B"

DEFINITIONS.

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

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

"Accretion Table" means the exhibit attached to the Pricing Certificate that sets forth the rounded original principal amounts at the Issuance Date for the Premium Compound Interest Bonds and the Accreted Values and maturity amounts thereof as of each Compounding Date until final maturity.

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

"Authorized Denominations" means the denomination of \$5,000 or any integral multiple thereof with respect to the Current Interest Bonds and in the denomination of \$5,000 in maturity amount or any integral multiple thereof with respect to the Premium Compound Interest Bonds.

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

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

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

"Bonds" shall mean and include collectively the Premium Compound Interest Bonds and Current Interest Bonds initially issued and delivered pursuant to this Order and the Pricing Certificate and all substitute Bonds and Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

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

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

"Compounded Amount" shall mean, with respect to a Premium Compound Interest Bond, as of any particular date of calculation, the original principal amount thereof plus all interest accrued and compounded to the particular date of calculation.

"Compounding Date" means the amounts as of any June 1 and December 1 as set forth in the Accretion Table.

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

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

"Defined Area" means the Sendero Springs and Cornerstone Defined Area described by the metes and bounds in Exhibit "A" attached hereto.

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

"Escrow Agreement" means the agreement between the District and Wells Fargo Bank N.A., as escrow agent.

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Outstanding Bonds" means the District's outstanding Series 2008 Bonds dated January 1, 2008, issued in the original principal amount of \$2,020,000; the Series 2009 dated July 1, 2009, issued in the original principal amount of \$2,365,000, the Series 2011 dated August 1, 2011, issued in the original principal amount of \$2,370,000 and the Series 2013 dated September 1, 2013, issued in the original principal amount of \$3,500,000.

"Plan for Improvements" means the Plan for Improvements of the Defined Area of the District approved by the Board of Directors on December 13, 2001 in connection with the Bond Election.

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

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

"Pricing Officer" means the General Manager of the District or in his absence the President of the Board, acting as the designated pricing officer of the District to execute the Pricing Certificate.

"Record Date" means the 15th day of the month next preceding each Interest Payment Date, whether or not such dates are Business Days.

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

"Refundable Bonds" means any of the District's Outstanding Bonds.

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

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

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

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

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

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

"SEC" shall mean the United States Securities and Exchange Commission.

"Special Project Bonds" shall mean those bonds authorized pursuant to Section 11.04 of this Bond Order.

"System" shall mean the water system, sanitary sewer system, and drainage and storm sewer system with the Defined Area of the District consistent with the Plan for Improvements approved in connection with the Bond Election, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additions or extensions thereto or improvements and replacements thereof.

"Underwriter" means the senior managing underwriter as selected by the Pricing Officer, and such additional investment banking firms, if any, as the Pricing Officer deems appropriate.

EXHIBIT "C"

CONTINUING DISCLOSURE UNDERTAKING

Accounting Principles

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

\$3,625,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015

BOND PURCHASE AGREEMENT

May 27, 2015

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681
Attn: General Manager

Dear President and Members of the Board of Directors:

The undersigned, Raymond James & Associates, Inc. (the “Underwriter”), acting on its own behalf and not as fiduciary or agent for Brushy Creek Municipal Utility District (the “Issuer”), offers to enter into this Bond Purchase Agreement (the “Agreement”) with the Issuer which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer’s written acceptance hereof on or before 10:00 p.m., Austin, Texas time, on the above referenced date, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Bond Order (as defined herein) or in the Official Statement (as defined herein).

1. *Purchase and Sale of the Bonds.* Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer’s \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the “Bonds”). The Bonds shall be dated June 1, 2015, and shall have the maturities and bear interest at the rate or rates per annum as shown on the cover page of the Official Statement. The Issuer acknowledges and agrees that (i) the transaction contemplated by this Agreement is an arm’s length transaction between the Issuer and the Underwriter; (ii) the Underwriter, as underwriter, has financial and other interests that differ from those of the Issuer; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (iv) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures

leading thereto irrespective of whether the Underwriter has provided or is currently providing other services to the Issuer on other matters; (v) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby are expressly set forth in this Agreement; and (vi) the Underwriter has provided to the Issuer prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”), which have been received by the Issuer. The Issuer represents that it has consulted its own financial, legal, accounting, tax and/or other advisors, as applicable, to the extent it deems appropriate. The representative has been duly authorized to execute this Agreement and to act hereunder.

The principal amount of the Bonds to be issued, the dated date therefor, the maturities, initial reoffering yields and interest rates per annum are as set forth on the cover page of the Official Statement. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the order adopted by the Issuer on May 14, 2015 and the pricing certificate approved by the pricing officer as authorized by the order (the “Bond Order”).

The purchase price for the Bonds shall be \$3,580,482.70 (representing the par amount of the Bonds, less a net original issue discount of \$10,706.05, less an underwriting discount of \$33,811.25) plus accrued interest on the Bonds, calculated on the basis of a 360-day year of twelve 30-day months, from the dated date of the Bonds to the date of the Closing (as hereinafter defined).

2. Public Offering. It shall be a condition of the obligations of the Issuer to sell and deliver the Bonds to the Underwriter and of the Underwriter to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds authorized by the Bond Order shall be sold and delivered by the Issuer and accepted and paid for by the Underwriter at Closing. The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices or yields not to exceed the initial public offering prices or yields set forth on the front cover page of the Official Statement and may subsequently change such offering prices or yields without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices or yields stated on the front cover page of the Official Statement.

3. The Official Statement.

(a) The Issuer previously has delivered copies of the Preliminary Official Statement dated May 14, 2015 (the “Preliminary Official Statement”) to the Underwriter. The Issuer will prepare a final Official Statement relating to the Bonds, which will be (i) dated the date of this Agreement, (ii) complete within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12, as amended (the “Rule”), and (iii) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriter before the execution hereof. Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds, is herein referred to as the “Official Statement.” Until the Official Statement has been prepared and is available for

distribution, the Issuer shall provide to the Underwriter sufficient quantities of the Preliminary Official Statement as the Underwriter deems necessary to satisfy the obligations of the Underwriter under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement has been deemed final by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven (7) business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which are complete as of the date of their delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(d) If, after the date of this Agreement, up to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (being the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) or (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period"), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as the Underwriter may from time to time reasonably request), and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any 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 not misleading or so that the Official Statement will comply with law. If such

notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement in a “designated electronic format” (as defined in MSRB Rule G-32) with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing.

4. Representations, Warranties, and Covenants of the Issuer. The Issuer hereby represents and warrants to and covenants to the Underwriter that:

(a) The Issuer is a municipal utility district created and organized under the laws of the State of Texas. The Issuer operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended (the “Act”), and various general laws of the State applicable to municipal utility districts, and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority under the general laws of the State of Texas, the Act, Chapter 1207 of the Texas Government Code (the “Refunding Act”), and the Bond Order (i) to enter into, execute and deliver this Agreement, the Bond Order, the escrow agreement described in the Bond Order (the “Escrow Agreement”), and the Continuing Disclosure Undertaking (as defined in Section 6(i)(3) hereof) and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Bond Order, the Escrow Agreement, the Continuing Disclosure Undertaking and the other documents referred to in this clause are hereinafter referred to as the “Issuer Documents”), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all material respects, with the terms of the Act, the Refunding Act, and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Order and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to governmental

immunity, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Bond Order and this Agreement, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Order and enforceable in accordance with their terms, subject to governmental immunity, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Bond Order will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge and lien it purports to create as set forth in the Bond Order;

(d) To the best knowledge of the Issuer, it is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing; and the execution and delivery of the Bonds, the Issuer Documents and the adoption of the Bond Order and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, law or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under, the Issuer Documents and the Bonds have been duly obtained or will be obtained prior to Closing, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds and the Bond Order conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS"; the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption "PLAN OF FINANCING"; and the Continuing Disclosure Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION";

(g) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to Issuer's knowledge, threatened against the Issuer, affecting the existence

of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of taxes pledged to the payment of principal of and interest on the Bonds pursuant to the Bond Order, or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Order or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any 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 the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer's acceptance hereof and at all times subsequent thereto during the "new issue disclosure period" as defined in MSRB Rule G-32(d)(ii) up to and including twenty-five (25) days subsequent to the "end of the underwriting period," the Official Statement (as it may be amended pursuant to Section 3(d) hereof) is and will be true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Order and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(l) The Issuer will furnish such information and execute such instruments and, at the expense of the Underwriter, will take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (i) qualify the Bonds for

offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect for so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth, and there has been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information, and the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the Issuer;

(n) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Underwriter;

(o) Any certificate signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein; and

(p) The Issuer covenants that, between the date hereof and the date of the Closing, it will take no action which will cause the representations and warranties made in this Section to be untrue as of the date of the Closing.

By delivering the Official Statement to the Underwriter, the Issuer shall be deemed to have reaffirmed, with respect to the Official Statement, the representations, warranties and covenants set forth above with respect to the Preliminary Official Statement.

5. Closing.

(a) At 10:00 a.m., Austin, Texas time, on June 30, 2015, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing"), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and

conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Wells Fargo Bank, N.A., Dallas, Texas, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds in definitive form shall be made through The Depository Trust Company, New York, New York ("DTC"). The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Bond Order, and shall be made available to the Underwriter at least one business day before the Closing.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter.

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, (i) the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; (ii) the net proceeds of the sale of the Bonds and any funds to be provided by the Issuer shall be deposited and applied as described in the Official Statement and in the Bond Order, and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver the opinions referred to hereinafter;

(c) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(d) At or prior to the Closing, the Bond Order shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the Bonds;

(e) At or prior to the Closing, the municipal bond insurance policy (the “Municipal Bond Insurance Policy”) issued by Build America Mutual Assurance Company (the “Bond Insurer”) shall have been duly executed, issued and delivered by the Bond Insurer;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the judgment of the Underwriter is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Underwriter;

(2) A copy of the Bond Order, certified as having been duly adopted and in full force and effect, with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The undertaking of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule (the “Continuing Disclosure Undertaking”);

(4) The Escrow Agreement, having been duly executed on behalf of the Issuer by the Pricing Officer and Wells Fargo Bank, N.A. (the “Escrow Agent”);

(5) The approving opinion of McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”), dated as of the date of the Closing, in form and substance as described in the Official Statement;

(6) A supplemental opinion of Bond Counsel addressed to the Underwriter, dated as of the date of the Closing, substantially to the effect that:

(i) the Bond Order has been duly adopted and is in full force and effect;

(ii) the statements and information contained in the Official Statement under the captions “THE BONDS (except DTC Redemption Provision, Book-Entry-Only System, and Payment Record),” “PLAN OF FINANCING (except Use and Distribution of Bond Proceeds, Remaining Outstanding Bonds, and Sources and Uses of Funds),” “THE DISTRICT – General,” and “– Management of the District –Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Opinions” (insofar as such section relates to the opinion of Bond Counsel), “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION (except Compliance with Prior Undertakings),” accurately and fairly describe the law and documents referred to therein and is in accordance with applicable state law;

(iii) firm banking arrangements have been made for the discharge and final payment of the Refunded Bonds and the Refunded Bonds are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by the cash and government securities held by the Escrow Agent pursuant to the Escrow Agreement;

(iv) based on the limited examination which they have made as Bond Counsel, it is Bond Counsel’s opinion that the Escrow Agreement has been duly authorized, executed and delivered by the Issuer and constitutes a binding and enforceable agreement in accordance with its terms, subject to moratorium, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, and that the Refunded Bonds, as defined in the Bond Order, are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and government securities held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, Bond Counsel has relied upon the verification report of Grant Thornton LLP as to the sufficiency of the cash and government securities deposited with the Escrow Agent pursuant to the Escrow Agreement for the purpose of paying such Refunded Bonds.

(7) The opinion, dated as of the date of the Closing and addressed to the Underwriter, of Counsel for the Underwriter, to the effect that:

(i) the Bonds are exempt securities under the Securities Act of 1933, as amended (the “1933 Act”), and the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act and the Bond Order need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and its participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system and the information regarding the Bond Insurer, in each case as to which no view need be expressed);

(8) A certificate, dated as of date of the Closing, of an appropriate official of the Issuer, acting in his or her official capacity, to the effect that to the best of his or her knowledge or belief (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Official Statement, no litigation is pending or, to the best of his or her knowledge, threatened in any court or administrative body, nor is there a basis for litigation which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues, including payments on the Bonds, pursuant to the Bond Order, or the levy or collection of the taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) all official action of the Issuer relating to the Official Statement, the Bonds and the Issuer Documents have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed; (iv) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (v) there has not been any material adverse change in the financial condition of the Issuer since September 30, 2014, the latest date as of which audited financial information is available;

(9) A certificate, dated as of the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Issuer there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) Any other certificates and opinions required by the Bond Order for the issuance thereunder of the Bonds;

(11) The approving opinion of the Attorney General of the State of Texas with respect to the Bonds and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds;

(12) Evidence satisfactory to the Underwriter that the Bonds have been rated "AA" by Standard & Poors Ratings Service based upon the Municipal Bond Insurance Policy issued by the Bond Insurer and that Moody's Investors Service has assigned an underlying rating of "A2" to the Bonds;

(13) Any letters of representation from professional consultants, advisors or any other parties relied upon by the Issuer for the purpose of making any representation, warranty or covenant required of the Issuer by this Agreement, which letters of representation shall authorize reliance thereon by the Underwriter;

(14) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer;

(15) A copy of the Municipal Bond Insurance Policy;

(16) A copy of a special report prepared by Grant Thornton LLP, independent certified public accountants, addressed to the Issuer, Bond Counsel, the Underwriter and Counsel to the Underwriter, verifying (i) the arithmetical computations of the adequacy of the maturing principal and interest on the government securities and uninvested cash on hand to pay, when due, the

principal of and interest on the Refunded Bonds, and (ii) the computation of the yield with respect to the Federal Securities and the Bonds; and

(17) A letter from Maxwell Locke & Ritter LLP, addressed to the District and the Underwriter, to the effect that (i) such firm is an independent certified public accounting firm; (ii) it furnished the District with the opinion on the statement of financial position of the District as of September 30, 2014, contained in Appendix "A" to the Preliminary Official Statement and Official Statement; and (iii) it consents to the use of such opinion and financial statements in the Preliminary Official Statement and Official Statement.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8 hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Bonds and thereby terminate this Agreement if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or officially proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or the Bonds or other actions or events shall have transpired which have the purpose or effect, directly or indirectly, of materially and adversely changing the federal income tax consequences of any of the transactions contemplated herein;

(b) legislation shall be enacted (or resolution passed) or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having

jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Order is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect;

(c) there shall have occurred a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, authorized to do so, or a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(d) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(e) there shall have occurred any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other governmental agency having the authority to do so, which materially adversely affects the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the assessments or the levy of taxes to pay principal of and interest on the Bonds;

(f) any event shall occur, or information shall become known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or which has the effect that the Official Statement contains any untrue statement of material fact or omits to state a 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;

(g) there shall have occurred since the date of this Agreement any material adverse change in the affairs or financial condition of the Issuer;

(h) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency, or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, except for current hostilities in Afghanistan, unless such hostilities are escalated beyond that in existence on the date of this Agreement;

(i) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided, shall be prohibited by any applicable law, governmental authority, board, agency or commission;

(j) the debt ceiling of the United States is such that the Federal Securities required to fund the Escrow Agreement are not available for delivery on the date of the delivery of the Bonds; or

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations or any rating of the Bond Insurer.

If the Issuer is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8 hereof shall continue in full force and effect.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, (ii) the fees and disbursements of Bond Counsel; (iii) the fees for bond ratings and municipal bond insurance; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Paying Agent/Registrar, the Escrow Agent and other paying agents, if any, for the Refunded Bonds; (vii) the fees and expenses of the Verification Agent; (viii) publication expenses, if any, in connection with the redemption of the Refunded Bonds; (ix) advertising expenses (except any advertising expenses of the Underwriter as set forth below); (x) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and officials of the Issuer; (xi) the Attorney General's review fee; and (xii) any other expenses mutually agreed to by the Issuer and the Underwriter to be reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby.

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Bonds; (iii) the fees

and expenses of Counsel to the Underwriter; and (iv) all other expenses incurred by it in connection with the public offering of the Bonds.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all out-of-pocket expenses on behalf of the Issuer reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

9. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing at the address above and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Raymond James & Associates, Inc., 5847 San Felipe, Suite 4125, Houston, Texas 77057, Attention: Debi Jones.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Issuer's representations and warranties contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

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

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

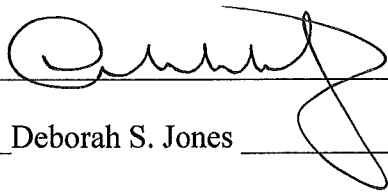
[Execution Pages Follow.]

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between the Issuer and the Underwriter when at least one counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

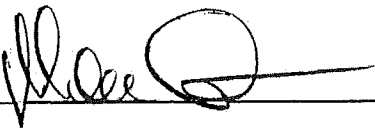
RAYMOND JAMES & ASSOCIATES, INC.,
on behalf of itself

By:  _____
Name: ___Deborah S. Jones___
Title: ___Managing Director_____

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS,
SERIES 2015

ACCEPTED AT 5:20 [a.m./p.m.] CDT this 27th day of May, 2015.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By:  _____

Name: Mike Petter

Title: General Manager

PRICING CERTIFICATE

I, the undersigned General Manager of the Brushy Creek Municipal Utility District (the "District") acting as the Pricing Officer pursuant to the authority granted to me by an order adopted by the Board of Directors of the District on May 14, 2015 (the "Bond Order") relating to the issuance of the Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds") hereby find, determine and commit on behalf of the District to sell and deliver the Bonds on the following terms:

1. Capitalized terms not otherwise defined herein have the meaning assigned in the Bond Order.

2. The Bonds are hereby sold and shall be delivered to Raymond James & Associates, Inc. (the "Underwriter") pursuant to the terms of the Bond Purchase Agreement, dated May 27, 2015, between the District and the Underwriter (the "Purchase Agreement"), for a price as set forth in the Purchase Agreement, according to the following terms:

A. The aggregate original principal amount of the Bonds shall be \$3,625,000.00.

B. The Bonds will be issued as serial Current Interest Bonds dated June 1, 2015, shall be numbered from R-1 upwards (except that the Initial Bond shall be numbered T-1) and shall mature and bear interest from their dated date as follows:

Maturity Date (June 1)	Principal Amount	Interest Rate
	\$3,625,000.00	
2016	\$ 40,000	2.000%
2017	110,000	2.000
2018	115,000	2.000
2019	120,000	2.000
2020	125,000	3.000
2021	210,000	3.000
2022	220,000	3.000
2023	225,000	3.000
2024	230,000	3.000
2025	240,000	3.000
2026	245,000	3.125
2027	260,000	3.250
2028	270,000	3.500
2029	280,000	3.500
2030	295,000	3.625
2031	300,000	3.750
2032	165,000	3.750
2033	175,000	3.750

C. Interest on the Bonds shall be payable June 1 and December 1 of each year, commencing December 1, 2015. The record date for the Bonds will be the fifteenth day of the month preceding an Interest Payment Date whether or not such dates are Business Days.

D. The Bonds maturing on and after June 1, 2024 shall be redeemable prior to their scheduled maturities, in whole or from time to time in part, at the option of the District, on June 1, 2023 or on any date thereafter, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part, the particular Bonds or portions thereof to be redeemed shall be selected by the District in its sole discretion), at the redemption price of par, together with accrued interest to the redemption date.

E. The Bonds shall be initially registered in the name of Raymond James & Associates, Inc.

F. The Bonds are being insured by Build America Mutual Assurance Co. The terms and provisions set forth in the Commitment Letter attached hereto as Exhibit "B" are approved and are read as part of the Bond Order.

3. The Bonds are in amounts sufficient to redeem and refund the Refunded Bonds set forth in "Exhibit A" hereto and to pay the costs of issuing the Bonds.

4. The issuance of the Bonds is in the best interest of the District and produces a net present value debt service savings of \$308,959.02 (9.334109% of the Refunded Bonds), net of any District contribution to the refunding, and a gross debt service savings of \$441,939.03.

5. The price to be paid by the Underwriter for the Bonds is not less than 90% of the aggregate original principal amount thereof plus accrued interest to the date of delivery of the Bonds and the net present value debt service savings which results in at least a 3.0% present value debt service savings of the principal amount of the Refunded Bonds net of any District contribution. None of the Bonds bear interest at an interest rate greater than the maximum authorized by law. Additionally, all of the requirements of Sections 3.01 and 3.02 of the Bond Order have been met.

6. Pursuant to an election held in the Sendero Springs and Cornerstone Defined Area ("Defined Area") on February 2, 2002, the voters of the Defined Area approved refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$36,750,000.00. The issuance of the Bonds is the first refunding of the Defined Area and will use \$315,000.00 for the par to par difference. Following the issuance of the Bonds, \$36,435,000.00 of remaining voted authorization of refunding bonds will remain authorized but unissued for the Defined Area.

7. In accordance with Article 19 of the Bond Order, the District shall provide annually to the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the District of the general type included in the Official Statement under the heading "Containing Disclosure of Information and Annual Reports."

8. In accordance with Section 15.02 of the Bond Order, the Preliminary Official Statement, dated May 14, 2015, previously prepared and distributed in connection with the pricing of the Bonds is hereby approved, and the preparation and distribution of the final Official Statement in reoffering of the Bonds by the Underwriter is hereby approved.


9. In consultation with, and reliance upon the advice of the financial advisor for the District, I determined that using a negotiated sale was in the best interest of the District and further hereby find that the terms of sale are the most advantageous reasonably available on the date and time of the pricing of the Bonds given the then existing market conditions and the stated terms of sale on such date and time.

10. The Bonds shall be in the form as set forth in Exhibit "D" attached hereto.

[Signature Page Follows]

WITNESS MY HAND this 27th day of May, 2015.

**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT**

By: 
Pricing Officer

[Signature Page for Pricing Certificate]

EXHIBIT "A"

NOTICES OF DEFEASANCE/REDEMPTION

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA**

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2008, a portion of the outstanding obligations maturing on June 1 in each of the years 2019, 2023, 2027 and 2031, aggregating \$1,560,000 in principal amount.

<u>Original CUSIP Number*</u>	<u>Maturity June 1</u>	<u>Prior Principal Amount Outstanding</u>	<u>Principal Amount Being Defeased and Redeemed⁽¹⁾</u>	<u>Principal Amount Outstanding After Defeasance⁽²⁾</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>New CUSIP Number* for Redeemed Portion</u>	<u>New CUSIP Number* for Non-Redeemed Portion</u>
117464JB4	2019	\$295,000	\$225,000	\$70,000	5.000%	7/7/2015	117464SN8	117464SP3

⁽¹⁾ Represents a partial redemption of the term bond maturing on June 1, 2019. The amount of such maturity being redeemed is being applied to redeem in full the June 1, 2017 sinking fund redemption of \$70,000, the June 1, 2018 sinking fund redemption of \$75,000 and the June 1, 2019 sinking fund redemption of \$80,000.

⁽²⁾ Represents the June 1, 2016 sinking fund redemption remaining outstanding.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP*</u>
2023	\$360,000	5.000	July 7, 2015	117464JF5
2027	435,000	5.000	July 7, 2015	117464JK4
2031	540,000	5.200	July 7, 2015	117464JP3

Due provision for the payment of the above-described obligations has been made with Wells Fargo Bank, N.A. (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

First Class Certified	Overnight & Courier	In Person
Wells Fargo Bank, NA	Wells Fargo Bank, NA	Northstar East Building
Corporate Trust Operations	Corporate Trust Services, 12 th Floor	Corporate Trust Operations
MAC N9303-12	MAC N9303-121	608 2 nd Avenue South
PO BOX 1517	6 th & Marquette Ave.	Minneapolis, MN
Minneapolis, MN 55480	Minneapolis, MN 55479	

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

In compliance with section 3406 of the Internal Revenue Code of 1986, as amended, payors making certain payments due on debt securities may be obligated to deduct and withhold a portion of such payment from the remittance to any payee who has failed to provide such payor with a valid taxpayer identification

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

number. To avoid the imposition of this withholding tax, such payees should submit a certified taxpayer identification number when surrendering the Bonds for redemption.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA**

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2009, a portion of the outstanding obligations maturing on June 1 in each of the years 2022, 2031 and 2033, aggregating \$1,750,000 in principal amount.

<u>Original CUSIP Number*</u>	<u>Maturity June 1</u>	<u>Prior Principal Amount Outstanding</u>	<u>Principal Amount Being Defeased and Redeemed⁽¹⁾</u>	<u>Principal Amount Outstanding After Defeasance⁽²⁾</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>New CUSIP Number* for Redeemed Portion</u>	<u>New CUSIP Number* for Non-Redeemed Portion</u>
117464KB2	2022	\$405,000	\$180,000	\$225,000	5.250%	6/1/2017	117464SQ1	117464SR9

⁽¹⁾ Represents a partial redemption of the term bond maturing on June 1, 2022. The amount of such maturity being redeemed is being applied to redeem in full the June 1, 2021 sinking fund redemption of \$85,000 and the June 1, 2022 sinking fund redemption of \$95,000.

⁽²⁾ Represents the June 1, 2018 sinking fund redemption of \$70,000, the June 1, 2019 sinking fund redemption of \$75,000 and the June 1, 2020 sinking fund redemption of \$80,000 remaining outstanding.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP*</u>
2031	1,190,000	6.000	June 1, 2017	117464KL0
2033	380,000	5.500	June 1, 2017	117464KN6

Due provision for the payment of the above-described obligations has been made with Wells Fargo Bank, N.A. (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

First Class Certified
Wells Fargo Bank, NA
Corporate Trust Operations
MAC N9303-12
PO BOX 1517
Minneapolis, MN 55480

Overnight & Courier
Wells Fargo Bank, NA
Corporate Trust Services, 12th Floor
MAC N9303-121
6th & Marquette Ave.
Minneapolis, MN 55479

In Person
Northstar East Building
Corporate Trust Operations
608 2nd Avenue South
Minneapolis, MN

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

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

EXHIBIT "B"

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BOND
SERIES 2015**

NO. R-__

**PRINCIPAL
AMOUNT**
\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

June 1, 2015

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE SPECIFIED ABOVE, BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from June 1, 2015 on December 1, 2015 and semiannually on each June 1 and December 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at Wells Fargo Bank National Association, which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Dallas, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the close of business on the fifteenth calendar day of the month (whether or not a business day) preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

IF THE DATE for any payment due on this Bond shall be a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed; and

payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of June 1, 2015 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$3,625,000 **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

ON JUNE 1, 2023 OR ON ANY DATE THEREAFTER, the Bonds maturing on and after June 1, 2024, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

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

WITH RESPECT TO any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of

redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

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

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

THE BONDS are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the Defined Area of the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a city dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

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

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

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the Defined Area within 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 Defined Area of 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.

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.

**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT**

Secretary,
Board of Directors

President,
Board of Directors

(DISTRICT SEAL)

INSERTIONS FOR INITIAL BONDS

(i) The Initial Current Interest Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Current Interest Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.

B. the first paragraph of the Current Interest Bond shall be deleted and the following will be inserted:

"ON THE MATURITY DATE SPECIFIED BELOW, Brushy Creek Municipal Utility District (the "District"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on June 1 in each of the years, in installments of the respective Maturity Amounts set forth in the following schedule:

Maturity Date (June 1)	Principal Amount	Interest Rate
---------------------------	---------------------	---------------

(Information from Pricing Certificate to be inserted)

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from June 1, 2015 at the respective Interest Rate per annum specified above. Interest is payable on December 1, 2015 and semiannually on each June 1 and December 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 Current Interest Bond shall be numbered "T-1".

COMPROLLER'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)

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

**(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

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

Dated: _____.

Wells Fargo Bank, National Association,
Dallas, Texas
Registrar

By _____
Authorized Representative

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT "C"

BUILD AMERICA MUTUAL ASSURANCE CO. COMMITMENT LETTER



MUNICIPAL BOND INSURANCE COMMITMENT

ISSUER: Brushy Creek Municipal Utility District, Texas

MEMBER: Brushy Creek Municipal Utility District, Texas

Effective Date: May 18, 2015

Expiration Date: July 16, 2015

BONDS: Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015
in aggregate principal amount not to exceed \$3,625,000

Insurance Payment: 0.224% of the Total Debt Service on the Bonds

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") hereby commits, subject to the terms and conditions contained herein or added hereto, to issue its Municipal Bond Insurance Policy (the "Policy") relating to the Bonds referenced above (the "Bonds") issued by or on behalf of the Member. To keep this Commitment in effect after the Expiration Date set forth above, a written request for renewal must be submitted to BAM prior to such Expiration Date. BAM reserves the right to grant or deny a renewal in its sole discretion.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds (collectively, the "Security Documents"), shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof (the "Closing Date").
3. As of the Closing Date, there shall have been no material adverse change in, as to or affecting (i) the Member or the Bonds, including, without limitation, the security for the Bonds or (ii) any disclosure document relating to the Bonds (including any financial statements and other information included or incorporated by reference therein) (the "Official Statement"), the Security Documents to be executed and delivered with respect to the Bonds, any project to be

financed with the proceeds of the Bonds (if applicable), the legal opinions to be delivered in connection with the issuance and sale of the Bonds, or any other information submitted to BAM with respect to the issuance and sale of the Bonds, including the proposed debt service schedule of the Bonds, from information previously provided to BAM in writing.

4. The applicable transaction documents shall contain the document provisions set forth in Exhibit A hereto. No variation shall be permitted therefrom except as specifically approved by BAM in writing prior to the Closing Date.

5. The Bonds shall contain no reference to BAM, the Policy or the insurance evidenced thereby except as may be approved in writing by BAM. BOND PROOFS SHALL BE APPROVED IN WRITING BY BAM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form found on BAM's website (www.buildamerica.com) and in Exhibit B hereto entitled "DOCUMENT, PRINTING AND DISCLOSURE INFORMATION FOR PUBLIC FINANCE TRANSACTIONS".

6. The Official Statement shall contain the language provided by BAM and only such other references to BAM as BAM shall supply or approve in writing, and BAM shall be provided with final drafts of any preliminary and final Official Statement at least two business days prior to printing/electronic posting. BAM SHALL BE PROVIDED WITH AN ELECTRONIC COPY OF THE OFFICIAL STATEMENT SEVEN (7) DAYS PRIOR TO CLOSING, unless BAM shall agree in writing to a shorter period.

7. BAM shall be provided with:

(a) Copies of all Transaction Document drafts prepared subsequent to the date of this Commitment (blacklined to reflect all revisions from previously reviewed drafts) for review and approval. Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period.

(b) Copies of any consulting reports, feasibility studies, rate reports, engineer's reports or similar expert reports for review and approval, along with any revisions thereto (blacklined to reflect all revisions from previously reviewed drafts). Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period.

(c) The amortization schedule for, and final maturity date of, the Bonds, which schedule shall be acceptable to BAM. Please be aware that BAM will only insure fixed rate Bonds.

(d) A description of all material pending litigation relating to the Member or the Bonds and any opinions BAM shall request in connection therewith.

(e) A description of any material change in the Member's financial position from and after the date of the financial statements provided to BAM.

(f) Executed copies of all Security Documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to BAM or accompanied by a letter of such counsel permitting BAM to rely on such opinion as if such opinion were addressed to BAM), including, without limitation, the unqualified approving opinion of bond counsel, in form and substance satisfactory to BAM. The foregoing shall be in form and substance acceptable to BAM. (For your information, the form of legal opinion, primary market disclosure certificate and officer's certificate to be delivered by BAM at Closing is attached hereto as Exhibit C.)

(g) Evidence of wire transfer in federal funds of an amount equal to the Insurance Payment, unless alternative arrangements for the payment of such amount acceptable to BAM have been made prior to the Closing Date.

8. Bonds must have an underlying, long-term rating of at least:

NR	Standard and Poor's
A2	Moody's Investors Service
NR	Fitch Ratings

9. Promptly, but in no event more than thirty (30) days after the Closing Date, BAM shall receive two (2) CD-ROMs, which contain the final closing transcript of proceedings or if CD-ROMs are not available, such other electronic form as BAM shall accept.

10. To maintain this commitment until the Expiration Date set forth above, BAM must receive a copy of the signature page of this Commitment fully executed by an authorized officer of the undersigned by the earlier of the date on which the Official Statement containing disclosure language regarding BAM is circulated and ten (10) days after the date of this Commitment.

REPRESENTATION AND AGREEMENT BY BAM

(a) BAM is a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York.

(b) BAM covenants that it will only insure obligations of states, political subdivisions, an integral part of states or political subdivisions or entities otherwise eligible for the exclusion of income under Section 115 of the Internal Revenue Code of 1986, as amended, or any successor thereto.

(c) BAM covenants that it will not seek to convert to a stock insurance corporation.

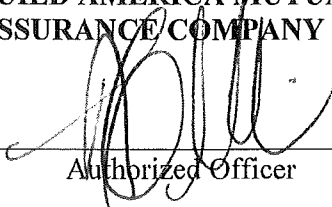
(d) The issuance of the Policy qualifies the Member as a member of BAM until the Bonds are no longer outstanding. As a member of BAM, the Member is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

(e) Refundings.

If (1) the Security Documents relating to the Bonds permit a legal defeasance (such that the bonds are no longer treated as outstanding under the Security Documents), (2) refunding bonds ("Refunding Bonds") will be issued for the purpose of legally defeasing such then outstanding BAM-insured Bonds (in this context, the "Refunded Bonds") and (3) upon their issuance (A) such Refunding Bonds have a final maturity date that is not later than the final Maturity Date of the Refunded Bonds, (B) the average annual debt service on the Refunding Bonds does not exceed the average annual debt service on the Refunded Bonds, and (C) the net proceeds of such Refunding Bonds are applied solely towards the legal defeasance of the Refunded Bonds and related costs of issuance, then, if BAM is requested to, and in its sole discretion determines to, offer a municipal bond insurance policy covering the Refunding Bonds (the "Refunding Policy") BAM will credit the Member Surplus Contribution (set forth on the front page of the Policy) for the Refunded Bonds against the insurance payment then charged with respect to the Refunding Bonds. If the Security Documents are silent on the matter of a legal defeasance, BAM may, in its sole and absolute discretion, accept such certificates, opinions and reports from or on behalf of the Member in connection with the issuance of such Refunding Bonds in order to establish to its satisfaction that the Refunding Bonds will be issued to retire the outstanding Refunded Bonds and that the Refunding Bonds comply with the criteria set forth in clause (3) of the preceding sentence for the purpose of determining whether a supplemental Member Surplus Contribution is or is not required to be made at that time.

(f) BAM covenants that it will provide notice to the Member (as soon as reasonably possible) of a change in the rating of BAM's financial strength by Standard & Poor's Rating Services.

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**



Authorized Officer

May 18, 2015

Date

AGREED AND ACCEPTED

The undersigned agrees and accepts the conditions set forth above and further agrees that (i) if the Bonds (and any of the Bonds to be issued on the same date and for which BAM has issued a commitment) are insured by a policy of municipal bond insurance, such insurance shall be provided by BAM in accordance with the terms of this Commitment; (ii) it has made an independent investigation and decision as to whether to insure the payment when due of the principal of and interest on the Bonds and whether the Policy is appropriate or proper for it based upon its judgment and upon advice from such legal and financial advisers as it has deemed necessary; (iii) BAM has not made, and therefore it is not relying on, any recommendation from BAM that the Bonds be insured or that a Policy be obtained, it being understood and agreed that any communications from BAM (whether written or oral) referring to, containing information about or negotiating the terms and conditions of the Policy, and any related insurance document or the documentation governing the Bonds, do not constitute a recommendation to insure the Bonds or obtain the Policy; (iv) the undersigned acknowledges that BAM has not made any representation, warranty or undertaking, and has not given any assurance or guaranty, in each case, expressed or implied, as to its future financial strength or the rating of BAM's financial strength by the rating agency; (v) the undersigned acknowledges that a credit or claims-paying rating of BAM assigned by a Rating Agency reflects only the views of, and an explanation of the significance of any such rating may be obtained only from, the assigning Rating Agency, any such rating may change or be suspended, placed under review or withdrawn by such Rating Agency if circumstances so warrant, and BAM compensates a Rating Agency to maintain a credit or claims-paying ability rating thereon, but such payment is not in exchange for any specific rating or for a rating within any particular range; (vi) the undersigned acknowledges that BAM may in its sole and absolute discretion at any time request that a Rating Agency withdraw any rating maintained in respect of BAM. Notwithstanding anything to the contrary set forth herein, upon issuance of the Policy, the provisions set forth under subparagraphs (ii) through (vi) above and the representations and agreements of BAM shall survive the expiration or termination of this Commitment.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT,
TEXAS**

By: 
Authorized Officer

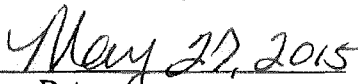

Date

EXHIBIT A

DOCUMENT PROVISIONS

EXHIBIT A

GENERAL TRANSACTION DOCUMENT PROVISIONS

1. Notice and Other Information to be given to BAM. The Issuer will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents.

The notice address of BAM is: Build America Mutual Assurance Company, 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

2. Amendments, Supplements and Consents.
 - a. *Amendments.* Wherever any Security Document requires the consent of Bondholders, BAM's consent shall also be required. In addition, any amendment, supplement or modification to the Security Documents that adversely affect the rights or interests of BAM shall be subject to the prior written consent of BAM.
 - b. *Consent of BAM Upon Default.* Anything in any Security Document to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole holder of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the trustee, paying agent, registrar, or similar agent (the "Trustee") for the benefit of such holders under any Security Document. The Trustee may not waive any default or event of default or accelerate the Insured Obligations without BAM's written consent.
3. BAM As Third Party Beneficiary. BAM is explicitly recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce any right, remedy or claim conferred, given or granted thereunder.
4. Policy Payments.
 - a. In the event that principal and/or interest due on the Bonds shall be paid by BAM pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may

have in respect of securities law violations arising from the offer and sale of the Bonds.

- b. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee shall agree for the benefit of BAM that:
 - i. They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in the Security Document and the Bonds; and
 - ii. They will accordingly pay to BAM the amount of such principal and interest, with interest thereon, but only from the sources and in the manner provided in the Security Documents and the Bonds for the payment of principal of and interest on the Bonds to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.
- c. *Special Provisions for Insurer Default:* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraph B above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (3), "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

5. Definitions.

“BAM” shall mean Build America Mutual Assurance Company, or any successor thereto.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Bonds when due.

“Security Documents” shall mean the resolution, trust agreement, ordinance, loan agreement, bond, note and/or any additional or supplemental document executed in connection with the Bonds.

EXHIBIT B

**DOCUMENT, PRINTING AND DISCLOSURE
INFORMATION FOR
PUBLIC FINANCE TRANSACTIONS**



BUILD AMERICA MUTUAL ASSURANCE COMPANY

DOCUMENT, PRINTING AND DISCLOSURE

INFORMATION FOR

PUBLIC FINANCE TRANSACTIONS

This information is intended for use by bond counsel, the underwriters, financial advisors, printers and preparers of municipal bond offerings that will be insured in whole or in part by Build America Mutual Assurance Company ("BAM").

Prior to any reference to BAM in your marketing efforts, including, but not limited to any preliminary or final Official Statement and any rating agency presentation, in respect of a BAM-insured issue, BAM must receive an executed copy of its Commitment Letter. Blacklined copies of each draft of each transaction document, preliminary and final official statements with Appendices, and bond form(s) should be delivered to BAM for review and comment with reasonable opportunity to submit any comments prior to printing or execution, but in any event not less than three business days prior to execution. Such documents shall be delivered to the BAM attorney working on the transaction. If you are uncertain of the proper person to whom to deliver the documents, please email the documents to: documents@buildamerica.com. Please identify the issuer, obligor and issue name in the subject line of the email.

BAM will deliver to Bond Counsel, at the pre-closing for any such municipal bond offering (such offering to the extent insured by BAM, the "Insured Obligations"), assuming the requirements of the Commitment Letter have been met,

- an opinion of counsel as to the validity of the policy,
- a disclosure, no default and tax certificate of BAM, the executed policy and
- other certificates, if any, required in the transaction.

Prior to closing, BAM will obtain the rating letter from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, relating to any Insured Obligations. Note that any questions with regards to rating agency fees should be directed to the rating agency.

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(including wire-transfer instructions) 5

BAM DIRECTORY

Name	Title	Telephone	Email
<i>BAM ATTORNEYS</i>			
Jeffrey Fried	Deputy Counsel	212-235-2514	jfried@buildamerica.com
<i>CLOSING COORDINATORS</i>			
Nolan Miller		212-235-2511	nmiller@buildamerica.com

**BUILD AMERICA MUTUAL ASSURANCE COMPANY
("BAM")
DISCLOSURE INFORMATION
(FOR INCLUSION IN THE OFFICIAL STATEMENT)**

The following are BAM's requirements for printing the preliminary and final official statements:

1. Both the preliminary and final official statements must contain the information set forth in these Exhibits and BAM must be provided with final drafts for its approval and sign off thereon at least two business days prior to the printing thereof;
2. Any changes made to the BAM Disclosure Information for inclusion in the preliminary and final official statements must first be approved by BAM, and
3. BAM must receive an electronic copy of the final official statement seven (7) days prior to closing, unless BAM shall have agreed to some shorter period.

TO BE PRINTED ON THE COVER OF THE OFFICIAL STATEMENT:

The following language should be used when insuring:

1. THE ENTIRE ISSUE:

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

2. CAPITAL APPRECIATION BONDS:

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

The scheduled payment of principal of and interest on the Bonds maturing on _____ of the years _____ through _____, inclusive, with CUSIP #(s) _____ (collectively, the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PRINTER'S NOTE: USE BUILD AMERICA MUTUAL ASSURANCE COMPANY
LOGO AND INK #PMS BLUE 2736; REDS 199, 201 AND 1817.**

THE LOGO MAY BE OBTAINED FROM BAM'S WEBSITE
WWW.BUILDAmericA.COM

TO BE PRINTED IN THE BODY OF THE OFFICIAL STATEMENT OR AS AN EXHIBIT

USE THE FOLLOWING LANGUAGE WHEN INSURING THE ENTIRE ISSUE:

NOTE: The language under the subheading "Bond Insurance Policy" should be modified when insuring Capital Appreciation Bonds, Partial Maturities (less than the entire issue), Certificates and/or Notes.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$475.7 million, \$26.9 million and \$448.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

The Bond Insurance language for the Official Statement under the subheading “Bond Insurance Policy” should be replaced with the following language when insuring:

1. CAPITAL APPRECIATION BONDS:

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

2. PARTIAL MATURITIES (LESS THAN THE ENTIRE ISSUE):

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds maturing on _____ of the years _____ through _____, inclusive, with CUSIP #'s____ (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

3. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**TO BE PRINTED ON THE INSIDE COVER OF OFFICIAL STATEMENT
AS PART OF THE DISCLAIMER STATEMENT:**

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Exhibit __ - Specimen Municipal Bond Insurance Policy”.

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

STATEMENT OF INSURANCE
(Language for the Bond Form)

This form is not to be included in the Official Statement.

The Bonds shall bear a Statement of Insurance in the following form.

The following language should be used when insuring

1. **THE ENTIRE ISSUE:**

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Bonds (the "Paying Agent")] [as trustee for the Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent] [Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

2. **CAPITAL APPRECIATION BONDS:**

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") in respect of the scheduled payments due of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, as [paying agent for the Bonds (the "Paying Agent")] as trustee for the Bonds (the "Trustee"). Said Policy is on file and available for inspection at the principal office of the [Paying Agent][Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

3. **PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):**

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"), to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Insured Bonds (the "Paying Agent")][as trustee for the Insured Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent][Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PROCEDURES FOR PREMIUM PAYMENT
TO
BAM**

This form is not to be included in the Official Statement.

BAM's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Upon determination of the final debt service schedule, email or fax such schedule to the appropriate BAM Underwriter

Ernest Gyasi

Phone No. 212-235-2549

Email. egyasi@buildamerica.com

Confirm with the individual in our underwriting department that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the Insured Bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank: First Republic Bank
ABA#: 321081669
Acct. Name: Build America Mutual Assurance Company
Account No.: 80001613703
Policy No.: [To Be Assigned] – (Include in OBI Field)

CONFIRMATION OF PREMIUM

BAM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated to the Closing Coordinator on the closing date:

Miranda Ganzer (212) 235-2535

Patrice James (212) 235-2559

Nolan Miller (212) 235-2511

EXHIBIT C

BAM LEGAL OPINION AND CERTIFICATE

[CLOSING DATE]

[ADDRESSEES (ISSUER, UNDERWRITER AND TRUSTEE)]

Re: Municipal Bond Insurance Policy No. [POLICY NO.] With Respect to
\$____ [Name of Issuer] (the "Issuer")
____ Bonds, Series ____ (the "Bonds")

Ladies and Gentlemen:

I am Counsel of Build America Mutual Assurance Company, a New York mutual insurance company ("BAM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by BAM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. BAM is a mutual insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.
2. The Policy has been duly authorized, executed and delivered by BAM.
3. The Policy constitutes the valid and binding obligation of BAM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of BAM and to the application of general principles of equity.
4. The issuance of the Policy qualifies [the Issuer] as a member of BAM until [the Bonds] are no longer outstanding. As a member of BAM, [the Issuer] is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

In addition, please be advised that I have reviewed the description of the Policy under the caption "BOND INSURANCE" in the official statement relating to the above-referenced Bonds dated [DATE] (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or

as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, "the Official Statement".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

This letter and the legal opinions herein are intended for the information solely of the addressees hereof and solely for the purposes of the transactions described in the Official Statement and are not to be relied upon by any other person or entity (including, without limitation, any person or entity that acquires bonds from an addressee of this letter.) I do not undertake to advise you of matters that may come to my attention subsequent to the date hereof that may affect the conclusions expressed herein.

Very truly yours,

**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY**

The undersigned hereby certifies on behalf of BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), in connection with the issuance by BAM of its Policy No. [POLICY NO.] (the "Policy") in respect of the [\$AMOUNT] [NAME OF TRANSACTION] (the "Bonds") that:

- (i) The information set forth under the caption "BOND INSURANCE-BUILD AMERICA MUTUAL ASSURANCE COMPANY" in the official statement dated [DATE], relating to the Bonds (the "Official Statement") is true and correct;
- (ii) BAM is not currently in default nor has BAM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;
- (iii) The Policy is an unconditional and recourse obligation of BAM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds when due in the event of Nonpayment by the Issuer (as set forth in the Policy);
- (iv) The insurance payment (inclusive of the sum of the Risk Premium and the Member Surplus Contribution) (the "Insurance Payment") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to BAM as a condition to the issuance of the Policy;
- (v) BAM will, for federal income tax purposes, treat the Insurance Payment as solely in consideration for the insurance risk it assumes in the Policy and not as consideration for an investment in BAM or its assets;
- (vi) No portion of such Insurance Payment represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by BAM to maintain its rating, which, together with all other overhead expenses of BAM, are taken into account in the formulation of its rate structure, or for the provision of additional services by BAM, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor);
- (vii) BAM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Insurance Payment, BAM will not use any portion of the Bond proceeds;
- (viii) Except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by BAM, unless BAM has issued a debt service reserve insurance policy with respect to the Bonds.
- (ix) BAM does not expect that a claim will be made on the Policy; and

(x) Neither the Issuer nor any other Obligor is entitled to a refund of the Insurance Payments for the Policy in the event a Bond is retired before the final maturity date.

BAM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Dated: [CLOSING DATE]

**Primary Market Disclosure Certificate
[Bond Description] (the "Insured Bonds")**

For the benefit of _____ (the "Issuer"), and acknowledging that the Issuer will be relying on the contents hereof in addressing certain tax and disclosure items and for other matters, Build America Mutual Assurance Company ("Build America") makes the following representations and warranties as of the date hereof:

1. Neither Build America nor any affiliate of Build America has purchased, or has committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise;
2. Neither Build America nor any affiliate of Build America has entered into any agreement or understanding regarding the purchase or sale of the Insured Bonds, except for the insurance policies that Build America has provided regarding payments due under the Insured Bonds and the documentation associated with said insurance policies.

For the purposes of this certificate, "affiliate of Build America" means a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Build America.

[dated as of the closing date]

Build America Mutual Assurance Company

By

Authorized Officer

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of June 1 , 2015 (this "Agreement"), by and between the Brushy Creek Municipal Utility District (the "Issuer"), and Wells Fargo Bank, N.A., 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 its Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 in the aggregate principal amount of \$3,625,000 (the "Securities"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about June 30, 2015; and

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

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar 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 "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 principal corporate trust office of the Bank as indicated on the signature page hereof, except that the payment and registration duties of the Bank will be performed from the Bank's principal corporate trust office located in Dallas, Texas. 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 Board of Directors 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 Order).

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

"Order" means the order, ordinance or resolution of the governing body of the Issuer pursuant to which the Securities are issued, certified by the President and Secretary of the Board of Directors of the Issuer 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 the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms "Bank," "Issuer," and "Securities (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 Order.

**ARTICLE FOUR
REGISTRAR**

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 Financial Industry Regulatory Authority, 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 canceled 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. Certificates.

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 Security Register.

The Bank, as Registrar, will maintain the Security 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 Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

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

Section 4.04. List of Security Holders.

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

The Bank will not release or disclose the contents of the Security 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 Security 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 Security Register.

Section 4.05. Return of Canceled Certificates.

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 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 judgment 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, security 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 fiduciary 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 Law 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 Security 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 its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the 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 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 "Operational Arrangements," effective August 1, 1987, 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.

Section 5.09. Reporting Requirements.

To the extent required by the Internal Revenue Code of 1986, as amended, or the Treasury Regulations, the Bank shall report to or cause to be reported to the Holders and the Internal Revenue Service (i) the amount of "reportable payments," if any, subject to back up withholding during each year and the amount of tax withheld, if any, with respect to the payments on the Bonds and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Bonds required to be included in the gross income of the owners thereof for federal income tax purposes.

**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 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 Order, the 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 Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

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

Section 6.11. Governing Law.

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


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

WELLS FARGO BANK, N.A.

By  _____
Title Assistant Vice President

Address:
Wells Fargo Bank, N.A.
N9311-115
625 Marquette Avenue S-11th Floor East
Minneapolis, Minnesota 55479

**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT**

By  _____
Pricing Officer

Address:
16318 Great Oaks Drive
Round Rock, Texas 78681

SCHEDULE A

Paying Agent/Registrar Fee Schedule

Corporate Trust Services

Schedule of fees to provide registrar and paying agent services

WELLS
FARGO

Brushy Creek Municipal Utility District
Sendero Springs & Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

Acceptance fee \$1,000.00

A one-time fee for acting in the capacity of paying agent/registrar. This includes review of the paying agent/registrar agreement and other required documents; acceptance of the appointment; establishment of the registrar records and account records; authentication and delivery of bonds and coordination of closing. The acceptance fee is payable at the time of paying agent/registrar agreement execution.

Paying agent annual administration fee \$1,000.00

Annual fee for ordinary administration services provided by the paying agent/registrar. This includes daily routine account management; maintenance of registered bondholder accounts; responding to bondholder inquiries; and processing debt service payments. The annual administration fees are payable in advance, with the first installment due at closing.

Out-of-pocket expenses At cost

Out-of-pocket expenses will be billed at cost at the sole discretion of Wells Fargo.

Extraordinary services Standard rate

The charges for performing services not contemplated at the time of execution of the governing documents or not specifically covered elsewhere in this schedule will be at Wells Fargo's rates for such services in effect at the time expense is incurred.

These services may include, but are not limited to, tax reporting, establishment and administration of trust accounts, express mail and messenger charges, travel expenses to attend closings or other meetings, tender agent services, changes to documents, interim bond calls, rate mode changes, conversions or de-conversions of the account records, default administration and the publication of redemption notices. This proposal is based on the assumption of a book entry only issuance closing at DTC. If the bonds are to be settled in an alternate form of issuance, we will provide an adjusted fee schedule.

Assumptions

This fee schedule is based upon the following assumptions which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role of paying agent/registrar.

- Bond form: Book Entry/DTC
- Number of series: One (1)
- Interest rate: Fixed
- **Fees do not include cost of issuance/depository services**
- Frequency of interest payments to holders: Semi-annually
- Frequency of principal payments to holders: Not more than annually
- This fee schedule is based upon the assumptions listed above which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role of paying agent/registrar. These assumptions are based on information provided to us as of the date of this fee schedule. Our fee schedule is subject to review and acceptance of the final documents.

Terms and conditions

- The recipient acknowledges and agrees that this proposal does not commit or bind Wells Fargo to enter into a contract or any other business arrangement, and that acceptance of the appointment described in this proposal is expressly conditioned on (1) compliance with the requirements of the USA Patriot Act of 2001, described below, (2) satisfactory completion of Wells Fargo's internal account acceptance procedures, (3) Wells Fargo's review of all applicable governing documents and

Together we'll go far



Corporate Trust Services
Schedule of fees to provide registrar and paying agent services

Brushy Creek Municipal Utility District
Sendero Springs & Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

- its confirmation that all terms and conditions pertaining to its role are satisfactory to it and (4) execution of the governing documents by all applicable parties.
- Should this transaction fail to close or if Wells Fargo determines not to participate in the transaction, any acceptance fee and any legal fees and expenses may be due and payable.
 - Legal counsel fees and expenses, any acceptance fee and any first year annual administrative fee are payable at closing.
 - Any annual fee covers a full year or any part thereof and will not be prorated or refunded in a year of early termination.
 - Should any of the assumptions, duties or responsibilities of Wells Fargo change, Wells Fargo reserves the right to affirm, modify or rescind this proposal.
 - The fees described in this proposal are subject to periodic review and adjustment by Wells Fargo.
 - Invoices outstanding for over 30 days are subject to a 1.5% per month late payment penalty.
 - This fee proposal is good for 90 days.
 - Wells Fargo is acting as an indenture trustee or in a similar capacity, and as such, Wells Fargo shall not provide advice with respect to the investment of the proceeds from municipal securities or municipal escrow transactions. Furthermore, in its capacity as indenture trustee, in the event Wells Fargo does provide any service that may be deemed as advice, it is doing so pursuant to and in reliance on the bank exemption under the municipal advisor rules of the Securities and Exchange Commission.

Important information about identifying our customers

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (individual, corporation, partnership, trust, estate or other entity recognized as a legal person) for whom we open an account.

What this means for you: Before we open an account, we will ask for your name, address, date of birth (for individuals), TIN/EIN or other information that will allow us to identify you or your company. For individuals, this could mean identifying documents such as a driver's license. For a corporation, partnership, trust, estate or other entity recognized as a legal person, this could mean identifying documents such as a Certificate of Formation from the issuing state agency.

Contact information

Regina Velasquez
Wells Fargo Bank, N.A.
625 Marquette Avenue
MAC: N9311-115
Minneapolis, MN 55402
Phone: (612) 667-0647
Email: regina.a.velasquez@wellsfargo.com

Dated: June 1, 2015

OID: C456199



Blanket Issuer Letter of Representations

[To be Completed by Issuer]

Brushy Creek Municipal Utility District

[Name of Issuer]

November 1, 2001

[Date]

Underwriting Department—Eligibility
The Depository Trust Company
55 Water Street 19th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Brushy Creek Municipal Utility District

(Issuer)

By: James W. Griffith
(Authorized Officer's Signature)

James W. Griffith, President

(Print Name)

901 Great Oaks Drive

(Street Address)

Round Rock Texas 78681

(City) (State) (Zip Code)

(512) 255-7871

(Phone Number)

Received and Accepted

THE DEPOSITORY TRUST COMPANY

By: Debra Russo

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

ESCROW AGREEMENT

**Brushy Creek Municipal Utility District
Sendero Spring and Cornerstone Defined Area
Unlimited Tax Refunding Bonds, Series 2015**

THIS ESCROW AGREEMENT, dated as of June 1, 2015 (herein, together with any amendments or supplements hereto, called the "Agreement"), entered into by and between Brushy Creek Municipal Utility District (the "Issuer") and Wells Fargo bank, N.A., as escrow agent (together with any successor in such capacity, the "Escrow Agent"),

W I T N E S S E T H:

WHEREAS, the Issuer heretofore issued and there presently remain outstanding the obligations (the "Refunded Obligations") described in the Verification Report of Grant Thornton LLP (the "Report") relating to the Refunded Obligations, attached hereto as Exhibit "B" and made a part hereof; and

WHEREAS, the Refunded Obligations are scheduled to mature in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in the Report; and

WHEREAS, when firm banking arrangements have been made for the payment of principal and interest to the maturity or redemption dates of the Refunded Obligations, then the Refunded Obligations shall no longer be regarded as outstanding except for the purposes of receiving payment from the funds provided for such purpose and Issuer's right to call such Refunded Obligations for redemption in accordance with the provisions of the resolution, order or ordinance authorizing their issuance upon compliance with the provisions of Texas law; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with an eligible institution, including any place of payment (paying agent) for any of the Refunded Obligations, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 further authorizes the Issuer to enter into an escrow agreement with any such paying agent for any of the Refunded Obligations with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested only in obligations authorized by Chapter 1207, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Obligations when due; and

WHEREAS, this Agreement constitutes an escrow agreement of the kind authorized and required by said Chapter 1207; and

WHEREAS, in accordance with Section 1207.061(a)(3) of the Government Code the Escrow Agent does not act as a depository bank of the Issuer; and

WHEREAS, Wells Fargo Bank, N. A. is the paying agent for the Refunded Obligations; and

WHEREAS, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and timely make available to the other places of payment (paying agents) for the Refunded Obligations the amounts required to provide for the payment of the principal of and interest on such obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the Issuer's Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Refunding Obligations") have been issued, sold and delivered for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of the Refunded Obligations at their respective maturity dates or dates of redemption and the interest thereon to such dates as set forth in the Report; and

WHEREAS, the Issuer desires that, concurrently with the delivery of the Refunding Obligations to the purchasers thereof, certain proceeds of the Refunding Obligations, together with certain other available funds of the Issuer, if applicable, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations on their respective maturity dates or dates of redemption; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the Escrow Agent is herein also referred to as the "Paying Agent," and any paying agent for the Refunded Obligations, acting through the Escrow Agent, is also a party to this Agreement, as a paying agent for the Refunded Obligations to acknowledge their acceptance of the terms and provisions of this Agreement in such capacity.

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are hereby acknowledged, and in order to secure the full and timely payment of principal of and the interest on the Refunded Obligations, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Code" means the Internal Revenue Code of 1986, as amended, or to the extent applicable the Internal Revenue Code of 1954, together with any other applicable provisions of any successor federal income tax laws.

"Escrow Fund" means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means the direct noncallable, not pre-payable United States Treasury obligations and obligations the due timely payment of which is unconditionally guaranteed by the United States of America described in the Report or cash or other direct obligations of the United States of America substituted therefor pursuant to Article IV of this Agreement.

"Paying Agent" means Wells Fargo Bank, N. A. acting in its capacity as paying agent for the Refunded Obligations.

Section 1.02. Other Definitions. The terms "Agreement," "Issuer," "Escrow Agent," "Paying Agent," "Refunded Obligations," "Refunding Obligations," and "Report" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits in the Escrow Fund. Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in the Report, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Issuer's Refunded Obligations Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will irrevocably deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in the Report. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations on their respective maturity dates or dates of redemption, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations at their respective maturity dates or dates of redemption and interest thereon to such maturity dates or dates of redemption in the amounts and at the times shown in the Report.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents (based solely on the Report) that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Obligations at their respective maturity dates or dates of redemption as such interest comes due and the principal of the Refunded Obligations at their respective maturity dates or dates of redemption as the Refunded Obligations mature, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required

by each place of payment (paying agent) for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, notice of any such insufficiency shall be given to the Issuer by the Escrow Agent as promptly as practicable as hereinafter provided, but neither the Escrow Agent nor the Issuer shall in any manner be responsible for any insufficiency of funds in the Escrow Fund.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by the Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in the Report, the Escrow Agent shall reinvest cash balances shown in the Report in United States Treasury Obligations - State and Local Government Series with an interest rate equal to zero percent (0%) to the extent such Obligations are available from the Department of the Treasury. All such re-investments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that

are United States Treasury Certificates of Indebtedness, Notes or Bonds - State and Local Government Series. All such re-investments shall be acquired on and shall mature on the dates shown on the Report.

Section 4.03. Substitutions and Reinvestments. At the discretion of the Issuer, the Escrow Agent shall reinvest cash balances representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable, not pre-payable direct obligations of the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with the Report, the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or direct noncallable and not pre-payable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for Escrowed Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted, and

- (c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in the Report, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

Section 4.05. Arbitrage. The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V

APPLICATION OF CASH BALANCES

Section 5.01. In General. Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund.

ARTICLE VI

RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the Refunded Obligations.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer as promptly as practicable of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Obligations or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as a place of payment and paying agent and/or a Paying Agent/Registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with

others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the amount set forth in Exhibit "C" attached hereto, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) Wells Fargo Bank, N.A., is the place of payment (paying agent) for the Refunded Obligations. Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Paying Agent, the sum of \$1,000, the sufficiency of which is hereby acknowledged by Wells Fargo Bank, N.A., for all future paying agency services with respect to the Refunded Obligations; and Wells Fargo Bank, N.A., warrants that such sum is sufficient for such purpose.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 calendar days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent.

Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, authorized under Texas law to act as an escrow agent, having its principal office and place of business in the State of Texas, having a combined capital and surplus of at least \$5,000,000 and subject to the supervision or examination by Federal or State authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than sixty (60) days' written notice to the Issuer and publishing notice thereof, specifying the date when such resignation will take effect, in a newspaper printed in the English language and with general circulation in New York, New York, such publication to be made once at least three (3) weeks prior to the date when the resignation is to take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the Refunded Obligations or by the Issuer as herein provided and such successor Escrow Agent shall be a paying agent for the Refunded Obligations and shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

Under any circumstances, the Escrow Agent shall pay over to its successor Escrow Agent proportional parts of the Escrow Agent's fee and, if applicable, its Paying Agent's fee hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit "A" attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) calendar days prior notice thereof. Prior written notice of any amendment to this Agreement contemplated pursuant to Section 8.08 and immediate written notice of any incidence of a severance pursuant to Section 8.04 shall be

sent to Moody's Investors Service, Attn: Public Finance Rating Desk/Refunded Bonds, 99 Church Street, New York, New York 10007 and Standard & Poor's Corporation, Attn: Municipal Bond Department, 25 Broadway, New York, New York 10004.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the owners of the Refunded Obligations or to any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.05. Texas Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

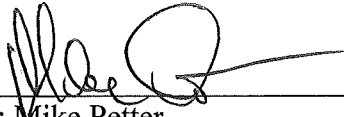
Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.07. Effective date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in the Report and the Escrowed Securities, together with the specific sums stated in subsections (a) and (b) of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

Section 8.08. Amendments. This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations.

EXECUTED as of the date first written above.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By 
Name: Mike Petter
Title: Pricing Officer

WELLS FARGO BANK, N.A.


By  _____
Authorized Signatory

EXHIBIT "A"

ADDRESSES OF THE ISSUER AND THE ESCROW AGENT

Issuer

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681
Attn: Mike Petter

Escrow Agent

Wells Fargo Bank, N.A.
N9311-115
625 Marquette Avenue S-11th Floor East
Minneapolis, Minnesota 55479
Attention: Regina Velasquez

EXHIBIT "B"

VERIFICATION REPORT

[SEE SEPARATE TAB OF TRANSCRIPT]

EXHIBIT "C"

ESCROW AGENT FEE SCHEDULE

Corporate Trust Services
Schedule of fees to provide refunding escrow agent services

WELLS
FARGO

Brushy Creek Municipal Utility District
Sendero Springs & Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

Acceptance fee (per series)	\$1,000.00
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A one-time fee payable at closing for our initial review of governing documents, account set-up and customary duties and responsibilities related to the closing; includes subscription to SLGs as directed.

Annual refunding escrow administration fee (per series)	\$1,000.00
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Annual fee for ordinary administration services by the refunding escrow agent include daily routine account management; initial investment transactions; cash transaction processing in accordance with the agreement; and providing trust account statements as applicable. The administration fees are payable annually in advance, with the first installment due at the time of escrow agreement execution.

Redemption fee (per occurrence)	\$500.00
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Fee for processing the early redemption on the REFUNDED bonds, as well as preparing split billing invoices for the refunded and un-refunded portions of the bonds, if applicable, and providing the defeasance and redemption notices to bondholders as directed.

Out-of-pocket expenses	At cost
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Out-of-pocket expenses will be billed at cost at the sole discretion of Wells Fargo.

Extraordinary services	Standard rate
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The charges for performing services not contemplated at the time of execution of the governing documents or not specifically covered elsewhere in this schedule will be at Wells Fargo's rates for such services in effect at the time expense is incurred.

These services may include, but are not limited to, tax reporting, establishment and administration of trust accounts, express mail and messenger charges, travel expenses to attend closings or other meetings, tender agent services, changes to documents, interim bond calls, rate mode changes, conversions or de-conversions of the account records, default administration and the publication of redemption notices. This proposal is based on the assumption of a book entry only issuance closing at DTC. If the bonds are to be settled in an alternate form of issuance, we will provide an adjusted fee schedule.

Assumptions

This proposal is based upon the following assumptions with respect to the role(s) of refunding escrow agent.

- Number of funds/accounts: One (1)

Terms and conditions

- The recipient acknowledges and agrees that this proposal does not commit or bind Wells Fargo to enter into a contract or any other business arrangement, and that acceptance of the appointment described in this proposal is expressly conditioned on (1) compliance with the requirements of the USA Patriot Act of 2001, described below, (2) satisfactory completion of Wells Fargo's internal account acceptance procedures, (3) Wells Fargo's review of all applicable governing documents and its confirmation that all terms and conditions pertaining to its role are satisfactory to it and (4) execution of the governing documents by all applicable parties.

Together we'll go far



Corporate Trust Services
Schedule of fees to provide refunding escrow agent services

Brushy Creek Municipal Utility District
Sendero Springs & Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

- Should this transaction fail to close or if Wells Fargo determines not to participate in the transaction, its acceptance fee and any legal fees and expenses may be due and payable.
- Legal counsel fees and expenses, any acceptance fee and any first year annual administrative fee are payable at closing.
- Any annual fee covers a full year or any part thereof and will not be prorated or refunded in a year of early termination.
- Should any of the assumptions, duties or responsibilities of Wells Fargo change, Wells Fargo reserves the right to affirm, modify or rescind this proposal.
- The fees described in this proposal are subject to periodic review and adjustment by Wells Fargo.
- Invoices outstanding for over 30 days are subject to a 1.5% per month late payment penalty.
- This fee proposal is good for 90 days.
- Wells Fargo is acting as an indenture trustee or in a similar capacity, and as such, Wells Fargo shall not provide advice with respect to the investment of the proceeds from municipal securities or municipal escrow transactions. Furthermore, in its capacity as indenture trustee, in the event Wells Fargo does provide any service that may be deemed as advice, it is doing so pursuant to and in reliance on the bank exemption under the municipal advisor rules of the Securities and Exchange Commission.

Important information about identifying our customers

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (individual, corporation, partnership, trust, estate or other entity recognized as a legal person) for whom we open an account.

What this means for you: Before we open an account, we will ask for your name, address, date of birth (for individuals), TIN/EIN or other information that will allow us to identify you or your company. For individuals, this could mean identifying documents such as a driver's license. For a corporation, partnership, trust, estate or other entity recognized as a legal person, this could mean identifying documents such as a Certificate of Formation from the issuing state agency.

Contact information

Regina Velasquez
Wells Fargo Bank, N.A.
625 Marquette Avenue
MAC: N9311-115
Minneapolis, MN 55402
Phone: (612) 667-0647
Email: regina.a.velasquez@wellsfargo.com

Dated: June 1, 2015
OID: C559095

PRELIMINARY OFFICIAL STATEMENT DATED MAY 14, 2015

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 ON CORPORATIONS.

The Bonds will NOT be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

**RATING: Moody's Investors Service (unenhanced)..... "A2"
See "MUNICIPAL BOND INSURANCE" AND "BOND RATINGS" herein**

\$3,535,000*

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

(A Political Subdivision of the State of Texas, located within Williamson County)

**SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BONDS,
SERIES 2015**

Dated: June 1, 2015

Due: June 1, as shown below

Interest on the Bonds will accrue from June 1, 2015, and is payable December 1, 2015, and each June 1 and December 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof. The Bonds are special limited obligations of the District payable solely from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area (collectively, the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Defined Area; or any other political subdivision.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (June 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	Maturity (June 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)
2016	\$ 35,000	___%	___%	2025(b)	\$235,000	___%	___%
2017	105,000	___%	___%	2026(b)	240,000	___%	___%
2018	110,000	___%	___%	2027(b)	255,000	___%	___%
2019	115,000	___%	___%	2028(b)	265,000	___%	___%
2020	120,000	___%	___%	2029(b)	275,000	___%	___%
2021	205,000	___%	___%	2030(b)	290,000	___%	___%
2022	215,000	___%	___%	2031(b)	295,000	___%	___%
2023	220,000	___%	___%	2032(b)	160,000	___%	___%
2024(b)	225,000	___%	___%	2033(b)	170,000	___%	___%

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first available redemption date.
- (b) Bonds maturing on and after June 1, 2024, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2023, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Underwriter may designate one or more maturities as Term Bonds. See "THE BONDS- Redemption Provisions."

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

A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000* in principal amount of the District's \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008; and to advance refund \$1,750,000* in principal amount of the District's \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009; and to pay administrative and issuance costs related to the issuance of the Bonds.

The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,525,000* principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area.

The Bonds are offered when, as and if issued and accepted by Raymond James & Associates, Inc. (the "Underwriter"), subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas has been engaged to serve as underwriter's counsel for the offering. Delivery of the Bonds is expected through the facilities of DTC on or about June 30, 2015, in Dallas, Texas.

RAYMOND JAMES

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any jurisdiction 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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APPENDIX B - FORM OF BOND COUNSEL
OPINION

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

THE DISTRICT MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

Raymond James & Associates, Inc. (referred to herein as the "Underwriters") have agreed to purchase the Bonds from the District for \$_____ (being the par amount of the Bonds, less an original issue discount on the Bonds of \$_____, and less an underwriter's discount of \$_____), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter 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 bondhouse, broker, dealer or similar person or organization acting in the capacity of underwriter or

wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

The District has made an application to Build America Mutual Assurance Company (“BAM”) and Assured Guaranty Municipal Corp. (“AGM”) for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, will be at the expense of the District.

BOND RATINGS

Moody’s Investors Service (“Moody’s”) has assigned an underlying credit rating of “A2” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody’s Investors Service.

The District is not aware of any rating assigned to the Bonds other than the rating of Moody’s.

FINANCIAL ADVISOR

Robert W. Baird & Co. Incorporated has been engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description \$3,535,000* Brushy Creek Municipal Utility District (the "District") Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015, dated June 1, 2015, and mature on June 1 in each of the years 2016 through 2033.

- Payment of Interest..... Interest on the Bonds accrues from June 1, 2015, and is payable December 1, 2015, and on each June 1 and December 1 thereafter until maturity or prior redemption.

- Other Characteristics The Bonds are registered bonds in integral multiples of \$5,000 within any one maturity. See "THE BONDS – General Description."

- Book-Entry-Only System The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent 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."

- Redemption..... Bonds maturing on and after June 1, 2024, shall be subject to redemption at the option of the District, in whole, or from time to time, in part, prior to maturity on June 1, 2023, or on any date thereafter, at par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amounts and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. See "THE BONDS – Redemption Provisions."

- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the Sendero Springs and Cornerstone Defined Area (the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District, which tax under Texas law is not legally limited as to rate or amount. **The Bonds are not secured by any other source including other taxable improvements located within the District but outside the Sendero Springs and Cornerstone Defined Area. The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property**

* Preliminary, subject to change

within the Sendero Springs and Cornerstone Defined Area and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment."

Payment Record..... This is the first series of refunding bonds and sixth issue overall issued by the District for the Sendero Springs and Cornerstone Defined Area. The District has never defaulted on the timely payment of principal and interest on its outstanding bonded indebtedness. See "DEFINED AREA DEBT."

Authority for Issuance The Sendero Springs and Cornerstone Defined Area’s voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,525,000* principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, and pursuant to an order adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer as designated in the order (the order and pricing certificate are collectively referred to herein as the “Bond Order”). See "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."

Use of Proceeds A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000* in principal amount (the "Series 2008 Refunded Bonds") of the District’s \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"); and to advance refund \$1,750,000* in principal amount (the "Series 2009 Refunded Bonds") of the District’s \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2008 Refunded Bonds and the Series 2009 Refunded Bonds, are collectively referred to herein as the "Refunded Bonds." See "PLAN OF FINANCING."

Remaining Outstanding Bonds..... In addition to the Series 2008 Bonds and the Series 2009 Bonds, the District has issued \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); \$3,500,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”); and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”). The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area’s voters have authorized an

* Preliminary, subject to change

aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,525,000* principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area. Excluding the Refunded Bonds, \$9,735,000* principal amount of the bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds, and - Authority for Issuance."

- Municipal Bond Insurance and Rating An application has been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. Moody’s has assigned an unenhanced rating of “A2” to the Bonds.
- Bond Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas
- General Counsel Freeman & Corbett, Austin, Texas
- Underwriter’s Counsel..... Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas
- Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas

THE DISTRICT

- The District Brushy Creek Municipal Utility District (the "District"), of Williamson County, Texas, is a political subdivision of the State of Texas originally created in 1977 as Williamson County Municipal Utility District No. 2 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,270 acres within its boundaries, all of which lie within Williamson County, Texas. See "THE DISTRICT – General."
- Location The District currently contains approximately 2,270 acres of land and is located approximately 3-4 miles west of the City of Round Rock and 19 miles north of the City of Austin. Approximately 416.683 acres within the District consist of the "Sendero Springs and Cornerstone Defined Area." The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock"). See "THE DISTRICT – General."
- Sendero Springs and Cornerstone Defined Area Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero

* Preliminary, subject to change

Springs and Cornerstone Defined Area to pay principal and interest on the unlimited tax bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA."

Status of Development within the Sendero Springs and Cornerstone Defined Area.....

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Highland (hereinafter defined) has developed approximately 333.5 acres (1,088 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, and III; and the Enclave at Highland Horizon.

Highland owns approximately 36 acres intended for commercial development within the Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area."

See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

The Developers.....

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers." See "THE DEVELOPERS."

Homebuilders.....

The homebuilder currently active within the Sendero Springs and Cornerstone Defined Area is Standard Pacific Homes. The homebuilders currently is marketing homes in the \$225,000 to \$460,000 price range. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Sales Contracts."

Overlapping District Taxes.....

The Sendero Springs and Cornerstone Defined Area lies wholly within the boundaries of the District and is subject to taxes levied by

the District to pay debt incurred by the District to serve the entire District as well as the District-wide maintenance tax. For the 2014 tax year, the District levied a total tax rate of \$0.48 per \$100 of assessed valuation on all taxable property located within the District for debt service and maintenance and operation purposes and an additional Defined Area tax of \$0.35 per \$100 of assessed valuation for debt service within the Defined Area. See "DEFINED AREA DEBT – Estimated Overlapping Debt."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
(100% of market value as of January 1, 2014)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation of the Defined Area as of January 1, 2015.....	\$320,000,000 (b)
(100% of estimated market value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds	\$ 9,735,000*
The Bonds	<u>3,535,000*</u>
Total	\$ 13,270,000*
Estimated Overlapping Debt	\$ 20,447,958
Total Direct and Estimated Overlapping Debt	<u>\$ 33,717,958 (c)</u>
Direct Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	5.02 %
As a percentage of Estimated Valuation as of January 1, 2015	4.15 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	12.76 %
As a percentage of Estimated Valuation as of January 1, 2015	10.54 %
Debt Service Fund (as of January 31, 2015)	\$ 1,985,433 (d)
2014 Sendero Springs and Cornerstone Defined Area Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.35
Maintenance	<u>0.00</u>
Total	\$0.35
2014 District Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.25
Maintenance	<u>0.23</u>
Total	\$0.48
Total Tax Rate	\$0.83
Estimated Average Annual Debt Service Requirements	
on the Outstanding Bonds and the Bonds (2015-2039)	\$ 796,124*
Estimated Maximum Annual Debt Service Requirement	
on the Outstanding Bonds and the Bonds (2032).....	\$ 946,246*
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.32
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.27
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2032) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.38
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.32
Estimated Population as of March 15, 2015	2,559 (e)

*Preliminary, subject to change

- (a) As certified by the Williamson Central Appraisal District (the "Appraisal District").
- (b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) In addition, accrued interest from June 1, 2015 will be deposited into the fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund value shown is prior to any 2015 scheduled debt service payment.
- (e) Based upon 3.5 residents per active single-family equivalent connection.

OFFICIAL STATEMENT

relating to

\$3,535,000*

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

**SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BONDS,
SERIES 2015**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Brushy Creek Municipal Utility District (the "District") of its \$3,535,000* Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order (the "Order") adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer on the date of the sale of the Bonds, as authorized by the Order (collectively, the "Bond Order") and pursuant to the Constitution and general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District upon payment of duplication costs and delivery charges.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the form of the Bonds contained in the Bond Order. The Bonds will mature on June 1 of the years and in the principal amounts, and will bear interest from June 1, 2015, at the rates per annum, set forth on the cover page.

Interest on the Bonds will be paid on December 1, 2015, and each June 1 and December 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent" or "Registrar"). **No physical delivery of the Bonds will be made to the beneficial owners thereof.** See "- Book-Entry-Only System" below.

The Bonds will be issued in the denomination of \$5,000 principal amount or integral multiples of \$5,000 thereof.

* Preliminary, subject to change

Defeasance

General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, with reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities. Thereafter the District will have no further responsibility with respect to the amounts available to such Paying Agent /Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the Board of Directors also be invested in Defeasance Securities, as hereinafter defined, maturing in the amount and at the times set forth in the Bond Order and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Order 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 or a commercial bank or trust company 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 the Bond Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

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

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such

Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Board of Directors.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to the defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State Law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance of those for any other Defeasance Security will be maintained at any particular rating category.

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

Redemption Provisions

The Bonds maturing on and after June 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2023, or on any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

At least 30 calendar days prior to the date fixed for any optional redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. 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, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such

prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provision

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 to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("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.

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

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (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 required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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.

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 purchase of each Security (“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, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 Issue 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).

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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Registrar by check mailed on each Interest Payment Date by the Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

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 form, 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 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.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner ("Registered Owner" or "Bondholder"), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Assignments, Transfers and Exchanges

The Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt

*Preliminary, subject to change.

by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Limitation on Transfer of Bonds

In the event the Book-Entry-Only System is discontinued, neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the Registered Owner of the Bonds (i) during the period commencing on the close of business on the Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Registrar will provide a replacement Bond upon (i) the filing by the Registered Owner with the Paying Agent of evidence satisfactory to the Registrar of the destruction, loss or theft of the Bond and the authenticity of the Registered Owner's ownership and (ii) the furnishing to the Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the Registered Owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,525,000* principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area.

The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and the February 2, 2002 election, and the Bond Order.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the Sendero Springs and Cornerstone Defined Area at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as they become 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, to pay when due any other contractual obligations of the Sendero Springs and Cornerstone Defined Area within the District

payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if a city dissolves the District and assumes all debts and liabilities of the District. See "- Annexation" below.

The Bonds are special limited obligations of the District secured solely by an annual ad valorem tax levied on property located within the Sendero Springs and Cornerstone Defined Area (and no other portion of the District) and are not the obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District as described herein.

Payment Record

The District has never defaulted on the payment of the principal and interest on its previously issued bonded indebtedness.

Funds

The Bond Order creates or confirms establishment and maintenance by the District of the debt service fund of the Defined Area (the "Debt Service Fund") to be used to pay the principal of and interest on and Paying Agent fees in respect of the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (1) accrued and capitalized interest on the Bonds, (2) all District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements, and (3) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The principal and interest due to the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and Wells Fargo Bank, National Association, Dallas, Texas (the "Escrow Agent"). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter(s), the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase certain Federal Securities as defined in the order authorizing the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. Bond Counsel will provide in its opinion that as a result of such defeasance and in reliance on the verification report of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

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

Issuance of Additional Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, for refunding purposes and as necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created, with the approval of the TCEQ. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$36,750,000 for refunding purposes and \$24,500,000 principal amount of bonds for the purpose of

providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$36,525,000*for refunding purposes and \$10,715,000 in authorized but unissued bonds remain to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. See "INVESTMENT CONSIDERATIONS – Future Debt."

Subsequent to creation of both the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance, whichever is less.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

Specific Tax Covenants

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

Additional Covenants

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

* Preliminary, subject to change

Remedies in Event of Default

The Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 810 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district, and the District currently has no plans to do so.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations including the Bonds and dissolve the District. The District has no control or knowledge of the annexation plans of the City. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that is not served by District facilities, if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

The District may without the consent of or notice to any registered owners amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (2) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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PLAN OF FINANCING

Use and Distribution of Bond Proceeds

A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000* in principal amount (the "Series 2008 Refunded Bonds") of the District's \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds") to advance refund \$1,750,000* in principal amount (the "Series 2009 Refunded Bonds") of the District's \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2008 Refunded Bonds and the Series 2009 Refunded Bonds, are collectively referred to herein as the "Refunded Bonds."

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2008 Refunded Bonds*		Series 2009 Refunded Bonds*	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
295,000	06/01/2019(a)	405,000	06/01/2022(e)
360,000	06/01/2023(b)	1,190,000	06/01/2031(f)
435,000	06/01/2027(c)	380,000	06/01/2033(g)
540,000	06/01/2031(d)	<u>\$1,750,000</u>	
<u>\$1,560,000</u>			
Redemption Date: 7/07/2015		Redemption Date: 6/01/2017	

Aggregate Principal Amount of Bonds Being Refunded\$3,310,000

(a) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
70,000	06/01/2016	70,000
70,000	06/01/2017	70,000
75,000	06/01/2018	75,000
80,000	06/01/2019	80,000
<u>\$295,000</u>		<u>\$295,000</u>

(b) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
85,000	06/01/2020	85,000
90,000	06/01/2021	90,000
90,000	06/01/2022	90,000
95,000	06/01/2023	95,000
<u>\$360,000</u>		<u>\$360,000</u>

*Preliminary, subject to change.

(c) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
100,000	06/01/2024	100,000
105,000	06/01/2025	105,000
110,000	06/01/2026	110,000
120,000	06/01/2027	120,000
<u>\$435,000</u>		<u>\$435,000</u>

(d) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
125,000	06/01/2028	125,000
130,000	06/01/2029	130,000
140,000	06/01/2030	140,000
145,000	06/01/2031	145,000
<u>\$540,000</u>		<u>\$540,000</u>

(e) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
70,000	06/01/2018	70,000
75,000	06/01/2019	75,000
80,000	06/01/2020	80,000
85,000	06/01/2021	85,000
95,000	06/01/2022	95,000
<u>\$405,000</u>		<u>\$405,000</u>

(f) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
100,000	06/01/2023	100,000
105,000	06/01/2024	105,000
115,000	06/01/2025	115,000
120,000	06/01/2026	120,000
130,000	06/01/2027	130,000
140,000	06/01/2028	140,000
150,000	06/01/2029	150,000
160,000	06/01/2030	160,000
170,000	06/01/2031	170,000
<u>\$1,190,000</u>		<u>\$1,190,000</u>

(g) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
185,000	06/01/2032	185,000
195,000	06/01/2033	195,000
<u>\$380,000</u>		<u>\$380,000</u>

*Preliminary, subject to change.

Remaining Outstanding Bonds

In addition to the Series 2008 Bonds and the Series 2009 Bonds, the District has issued \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"); \$3,500,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"). The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,525,000* principal amount of bonds will remain authorized but unissued to refund bond issued for the Sendero Springs and Cornerstone Defined Area. Excluding the Refunded Bonds, \$9,735,000* principal amount of bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds").

Following the issuance of the Bonds the following bonds will remain outstanding:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds*	Remaining Outstanding Bonds
Series 2008 Bonds	2,020,000	1,695,000	1,560,000	135,000
Series 2009 Bonds	2,365,000	2,165,000	1,750,000	415,000
Series 2011 Bonds	2,370,000	2,235,000	-0-	2,235,000
Series 2013 Bonds	3,500,000	3,420,000	-0-	3,420,000
Series 2015 Bonds	3,530,000	3,530,000	-0-	3,530,000
	<u>\$13,785,000</u>	<u>\$13,045,000</u>	<u>\$3,310,000</u>	<u>\$9,735,000</u>

*Preliminary, subject to change.

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds.....	
Net Original Issue Premium.....	
Debt Service Fund Transfer	
Accrued Interest on Bonds.....	
Total Sources of Funds.....	

USES OF FUNDS:

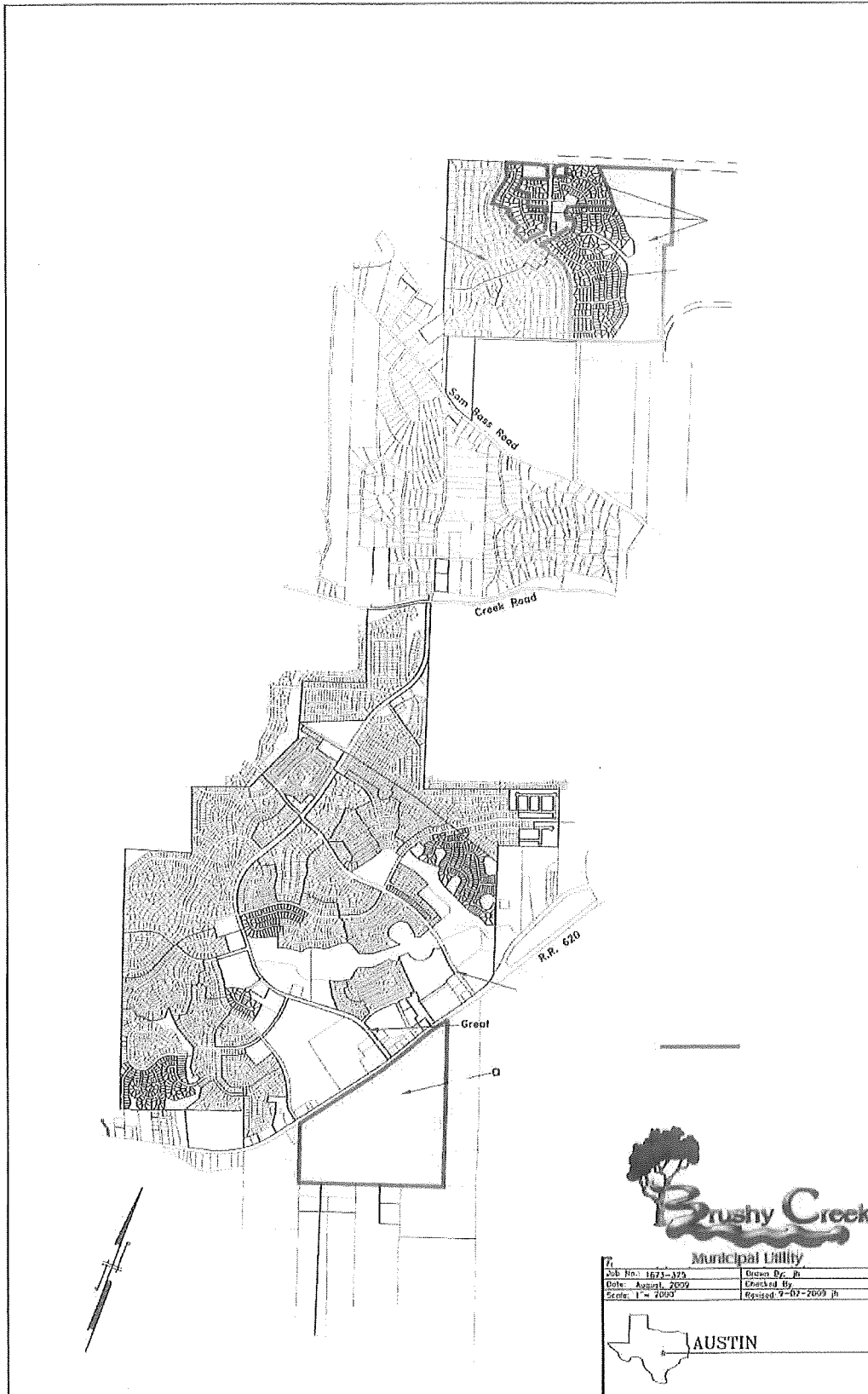
Deposit for Payment of Refunded Bonds	
Deposit of Accrued Interest to Debt Service Fund.....	
Issuance Expenses and Underwriter’s Discount.....	
Total Uses of Funds.....	

Escrow Agreement

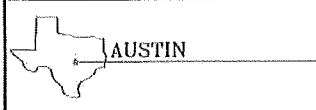
The District will enter into an escrow agreement (the "Escrow Agreement") with Wells Fargo Bank, N.A., Dallas, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds will be deposited in cash or invested in certain securities of the United States of America (the "Escrowed Obligations") and held in an escrow fund (the "Escrow Fund") to provide for scheduled payments of principal of and interest on the Refunded Bonds until their maturity or redemption dates. At the time of delivery of the Bonds, Grant Thornton L.L.P. will verify to the District, the Escrow Agent, Bond Counsel and the Underwriter that the cash and Escrowed Obligations in the Escrow Fund are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with un-invested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the Escrowed Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution and/or order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

DISTRICT MAPS



File No: 1673-173	Drawn By: B
Date: August 2009	Checked By:
Scale: 1" = 4000'	Revised: 9-02-2009 jh



THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA

Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds and \$36,750,000 of refunding bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal of and interest on the unlimited tax Sendero Springs and Cornerstone Defined Area bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District.

Status of Development

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval.

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

THE DISTRICT

General

The District was created by order of the Texas Water Commission, predecessor to TCEQ, adopted on October 27, 1977, and a confirmation election held within the District on January 21, 1978, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission and is located entirely within the extraterritorial jurisdiction of the City of Round Rock and within the boundaries of Round Rock Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters of the District and the Commission, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Subsequent to creation of the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance whichever is less. See "THE BONDS – Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

Location

The District is located 19 miles north of the City of Austin. The main portion of the District (southern) is located in Williamson County approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District lies south of FM1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock. Approximately 416.683 acres within the District consist of and are referred to as the "Sendero Springs and Cornerstone Defined Area." The District is comprised of approximately 2,270 acres of which approximately 2,062 acres are developable excluding parkland. Access to the District is provided by Interstate Highway 35 and either FM 620 or FM 1431.

Management of the District

Name	Title	Term Expires
Rebecca Tullos	President	2018
Russ Shermer	Vice President	2016
Kim Filiatrault	Secretary	2018
Donna B. Parker	Assistant Secretary Treasurer	2016
Shean R. Dalton	Treasurer	2016

- Consultants -

Tax Assessor/Collector

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

Auditor

Maxwell Locke & Ritter LLP, Certified Public Accountant, audited the District's September 30, 2014 financial statements. See "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT."

Engineer

The District's primary consulting engineer is Halff Associates Inc.

Bond Counsel

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

General Counsel

The District has engaged Freeman & Corbett, Austin, Texas as general counsel.

Financial Advisor

The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor does not guarantee the accuracy or completeness of such information, and has not made independent evaluation of the work product of the consultants or experts retained by the Issuer.

Special Consultant Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Grant Thornton LLP, Certified Public Accountants, will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In

addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell

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

THE DEVELOPERS

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

Highland is a privately-held Texas corporation with headquarters in Houston. Highland is active in real estate, being developers of large residential, commercial, and industrial projects in several areas of the United States and overseas.

In addition to the land in the Sendero Springs and Cornerstone Defined Area and other parts of the District, Highland either directly or through related entities also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and the Marble Falls Ranch.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area."

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

Utility Development Agreements

- Utility Development Agreements -

Each of the Developers has entered into a Utility Development Agreement with the District. Each of such agreements generally provides that the developer shall install the necessary water, sanitary sewer, storm sewer and drainage facilities necessary to serve its property. The Utility Development Agreement provides that the District will issue defined area bonds to purchase the utility facilities at such time as sufficient tax base has been constructed on the property receiving service to allow the District to retire the bonds being issued at a total tax rate of \$0.56 per \$100 of assessed valuation levied upon the property receiving service from the utilities being purchased. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

- Agricultural Waiver -

Each of the Developers has executed an agreement, which is recorded in the real property records of Williamson County and is a covenant running with the land, waiving the right to have their respective land located within the District classified as agricultural, open-space or timberland. In addition, each developer has waived the right to have its lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on the successors and assignees of each developer. See "TAXING PROCEDURES."

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DEFINED AREA DEBT

General

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Estimate of Value as of January 1, 2015 of the Defined Area	\$320,000,000 (b)
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Remaining Outstanding Bonds	\$ 9,735,000*
The Bonds.....	<u>3,535,000*</u>
Total.....	\$13,270,000*
Estimated Overlapping Debt.....	\$ 20,447,958 (c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 33,717,958</u>
Debt Service Fund Balance (as of January 31, 2015)	\$ 1,985,433 (d)
Direct Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	5.02 %
As a percentage of Estimated Valuation as of January 1, 2015.....	4.15 %
Direct and Estimated Overlapping Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	12.76 %
As a percentage of Estimated Valuation as of January 1, 2015.....	10.54 %
Area of the Sendero Springs and Cornerstone Defined Area	416.683 acres
Estimated Population as of March 15, 2015	2,559 (e)

*Preliminary, subject to change

(a) As certified by the Williamson Central Appraisal District ("WCAD") January 1, 2014.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(c) See "DEFINED AREA DEBT – Estimated Overlapping Debt Statement."

(d) In addition, accrued interest from June 1, 2015, will be deposited into this fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund balance is after the June 1 payment.

(e) Based upon 3.5 individuals per active single-family equivalent connection.

Estimated Overlapping Debt

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

Taxing Body	Outstanding Debt as of March 31, 2015	Percentage	Overlapping Net Debt
Austin Community College District	\$ 82,713,659	0.19%	\$155,694
Brushy Creek MUD	36,340,000	18.27%	6,640,587
Round Rock Independent School District	763,845,000	1.12%	8,530,544
Williamson County	817,769,942	0.63%	5,121,134
TOTAL ESTIMATED OVERLAPPING DEBT			<u>\$20,447,958</u>
The Sendero Springs and Cornerstone Defined Area (a)			<u>13,270,000*</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT			<u>\$33,492,958</u>
Ratio of Estimated Direct and Overlapping Debt to 2014 Assessed Valuation			12.76%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Value as of January 1, 2015 ...			10.54%

*Preliminary, subject to change

(a) Includes the Bonds and excludes the Refunded Bonds

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Overlapping Taxes for 2014

Property within the Sendero Springs and Cornerstone Defined Area is subject to taxation by several taxing authorities in addition to the taxes levied by the District for the Sendero Springs and Cornerstone Defined Area. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in the Sendero Springs and Cornerstone Defined Area in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the Sendero Springs and Cornerstone Defined Area and of such other jurisdictions (see "DEFINED AREA DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District for the Sendero Springs and Cornerstone Defined Area, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2014 tax rates levied by such jurisdictions on property within the Sendero Springs and Cornerstone Defined Area. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

<u>Overlapping Entity</u>	<u>2014 Tax Rate Per \$100 of Assessed Valuation</u>
Williamson County	\$0.446529
Round Rock ISD	1.337500
The District	0.480000
Williamson County ESD #2	0.100000
Williamson County FM/RD	0.040000
Upper Brushy Creek WCID 1A	0.020000
Austin Community College District	0.094200
The Defined Area	<u>0.350000</u>
Estimated Total Tax Rate	\$2.868229

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Sendero Springs and Cornerstone Defined Area Debt Service Requirements

The following schedule sets forth the estimated debt service requirements of the District for debt payable in whole or in part from ad valorem taxes within the Sendero Springs and Cornerstone Defined Area.

Year	Outstanding Debt Service	Less: The Refunded Bonds*	Plus: The Bonds*		Total Debt Service
			Principal	Interest	
2015	\$ 784,735	\$ 180,830	\$	\$ 58,275	\$ 662,180
2016	914,366	180,830	35,000	116,200	884,736
2017	931,109	249,080	105,000	114,800	901,829
2018	941,669	250,455	110,000	112,100	913,314
2019	936,213	251,580	115,000	108,725	908,358
2020	944,981	252,455	120,000	105,200	917,726
2021	947,200	335,849	205,000	100,325	916,676
2022	952,738	336,624	215,000	94,025	925,139
2023	956,594	336,505	220,000	87,500	927,589
2024	958,519	335,480	225,000	80,825	928,864
2025	963,841	338,755	235,000	73,925	934,011
2026	967,330	336,330	240,000	66,800	937,800
2027	968,955	343,080	255,000	59,375	940,250
2028	968,744	343,730	265,000	51,575	941,589
2029	966,396	343,400	275,000	42,100	940,096
2030	971,858	347,080	290,000	30,800	945,578
2031	970,292	344,770	295,000	19,100	939,622
2032	977,059	200,813	160,000	10,000	946,246
2033	972,176	200,363	170,000	3,400	945,214
2034	463,819				463,819
2035	462,506				462,506
2036	465,306				465,306
2037	462,216				462,216
2038	463,219				463,219
2039	229,219				229,219
	<u>\$20,541,058</u>	<u>\$5,508,008</u>	<u>\$ 3,535,000</u>	<u>\$1,355,000</u>	<u>\$19,903,101</u>

Estimated Average Annual Debt Service Requirements
on the Remaining Outstanding Bonds and the Bonds (2015-2039) \$ 796,124*
Estimated Maximum Annual Debt Service Requirement
on the Remaining Outstanding Bonds and the Bonds (2032)..... \$ 946,246*

*Preliminary, subject to change

TAX DATA

General

Taxable property within the Sendero Springs and Cornerstone Defined Area is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on all outstanding debt of the Sendero Springs and Cornerstone Defined Area (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's and Sendero Springs and Cornerstone Defined Area's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the Sendero Springs and Cornerstone Defined Area's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for District-wide operation and maintenance purposes. The Board levied a 2014 tax rate for District-wide debt service purposes of \$0.25 per \$100 of assessed valuation and \$0.23 per \$100 of assessed valuation for District operation and maintenance purposes and \$0.35 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area debt service purposes and \$0.00 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area operation and maintenance purposes

Historical Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the Sendero Springs and Cornerstone Defined Area. Such summary has been prepared for inclusion herein based upon information from the records of the District Tax Assessor/Collector.

Tax Year	Assessed Valuation	Tax Rate/ \$100	Original Tax Levy	Fiscal Year Ending	Collections as of 03/31/2015
2010	122,884,140	0.36	442,383	9-30-11	99.9
2011	144,645,739	0.36	520,725	9-30-12	99.9
2012	171,587,825	0.36	617,716	9-30-13	99.9
2013	205,471,258	0.36	739,697	9-30-14	99.8
2014	267,853,303	0.35	937,487	9-30-15	99.1

Tax Rate Distribution

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District Debt Service	\$0.25	\$0.25	\$0.25	\$0.30	\$0.31
District Maintenance	0.23	0.25	0.25	0.20	0.19
Sendero Springs and Cornerstone Defined Area Debt Service	0.35	0.36	0.36	0.36	0.36
Sendero Springs and Cornerstone Defined Area Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Tax Rate	<u>\$0.85</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>

Analysis of Tax Base

The following represents the type of property comprising the 2010-2014 tax rolls:

Type of Property	2014 Assessed	2013 Assessed Value	2012 Assessed Value	2011 Assessed Value	2010 Assessed Value
	\$236,496,70				
Real Single Family	6	\$178,722,287	\$142,871,726	\$119,835,153	\$ 94,420,077
Real, Vacant Lots	15,862,132	17,088,933	17,360,008	16,084,672	13,954,285
Real, Acreage	8,281	636,746	721,180	2,667,988	2,660,506
Real, Commercial, & Industrial	1,536,099				
Real & Intangible Personal Utilities	161,570	290,696		34,076	13,562
Tangible Personal	111,291	270,496	42,788	162,304	95,169
Real Inventory	<u>13,677,224</u>	<u>8,462,100</u>	<u>10,592,123</u>	<u>5,861,546</u>	<u>11,740,541</u>
Total	<u>\$267,853,303</u>	<u>\$205,471,258</u>	<u>\$171,587,825</u>	<u>\$144,645,739</u>	<u>\$122,884,140</u>

Tax Rate Limitation

The District's tax rate on the Sendero Springs and Cornerstone Defined Area for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect a district-wide annual ad valorem tax for planning, maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any district-wide bonds and the Sendero Springs and Cornerstone Defined Area. At an election held on April 2, 1983, voters within the District authorized a district-wide maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a district-wide maintenance tax for 2014 of \$0.23 per \$100 of assessed valuation in the District and no additional maintenance tax in the Sendero Springs and Cornerstone Defined Area. At the election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the voters within the Sendero Springs and Cornerstone Defined Area approved the levy of a maintenance tax within the Sendero Springs and Cornerstone Defined Area not to exceed \$0.56 per \$100 of assessed valuation.

Principal Taxpayers

Taxpayer	Type of Property	Assessed Valuation
		2014 Tax Roll
Highland 620 Land Investment Ltd(a)	Homebuilder	\$17,802,906
Streetman Homes Ltd LLP	Homebuilder	2,167,671
Hy-Land North Joint Venture(a)	Homebuilder	1,578,829
Hatch House Management Company LLC	Homebuilder	1,536,099
Weekley Homes LLC	Homebuilder	649,512
Standard Pacific Homes Inc(b)	Homebuilder	599,400
First Star Bank SSB	Bank	592,898
Homeowner	Residential	535,994
Homeowner	Residential	529,349
Homeowner	Residential	515,123
Total		<u>\$26,507,781</u>
% of Respective Tax Roll		<u>10.03%</u>
(a) See "THE DEVELOPERS"		
(b) See "THE HOMEBUILDERS"		

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements for the Sendero Springs and Cornerstone Defined Area, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Estimated Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2015-2039)	\$	796,124*
\$0.32 Tax Rate on 2014 Assessed Valuation of \$264,174,702 at 95% collections produces	\$	803,091*
Estimated Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2032).....	\$	946,246*
\$0.38 Tax Rate on 2014 Assessed Valuation of \$264,174,702 @ 95% collections produces.....	\$	953,671*

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the Sendero Springs and Cornerstone Defined Area of the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which may hereafter be issued for the Sendero Springs and Cornerstone Defined Area and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the district-wide operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters as well as a maintenance tax for the Sendero Springs and Cornerstone Defined Area. See "TAX DATA - Tax Rate Limitation."

* Preliminary, subject to change

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District 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 sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. 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. Furthermore, qualifying surviving spouses of person 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Effective January 1, 2014, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2014 tax year, the District has granted a \$10,000 exemption for residents who are disabled or 65 and older. See "TAX DATA."

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 District has never adopted a general homestead exemption.

Tax Abatement: The City of Round Rock and/or Williamson County may designate all or a part of the area within the District as a Reinvestment Zone. Williamson County and the District may enter into tax abatement agreements with

owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements and no portion of the District has been designated as a Reinvestment Zone.

Freeport Goods Exemption: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2015 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at 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 be 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 WCAD to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 30 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent.

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

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "DEFINED AREA DEBT – Overlapping Taxes for 2014." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which have been permanently financed by the District with the proceeds of the District's previously issued bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, the TCEQ. According to the District, the design of all such facilities has been approved by all governmental agencies which have approval over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Distribution

Currently the District has peak demands of 5.3 million gallons per day ("MGD") and an average demand of 2.93 MGD.

In 1994, the District purchased from the Brazos River Authority ("BRA") the contractual right to divert and utilize 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional Raw Water Line Project ("Regional Project"). According to the contract with the BRA, the District is responsible for 9.551% of the Regional Project, and the District has been making payments to the BRA in accordance with the contract. Proceeds of the District's outstanding bonds were used to finance the District's own water supply system which includes an 8.2 MGD water treatment plant, transmission line and related facilities. This water is delivered from Stillhouse Hollow Reservoir into Lake Georgetown by the Regional Project.

The District also owns four water wells with a capacity of about 1.7 MGD, one of which is active and producing 1.2 MGD. These wells are considered to be under the influence of surface water, and thus require treatment similar to that used for surface water.

The District has an intake structure and pumping facilities at Lake Georgetown, a raw water line to the District, raw water holding ponds, a drinking water treatment plant, clear well and water storage facilities, pump station, and the treated water lines and related system improvements necessary to furnish a drinking water supply to the District's customers. The intake has been constructed to provide 10 MGD of water. The raw water line has a capacity of 10 MGD.

The water treatment facility is a state-of-the-art micro/ultra-filtration plant with an initial capacity of 6 MGD, and expandable to 10 MGD by adding additional filters to the system. The clear well/ground storage facilities include two one-million gallon concrete tanks. The pump station is designed to meet the maximum daily and hourly needs of the District at full build-out. The maximum daily needs at full build-out are projected to be 8 MGD.

A 750,000-gallon composite elevated storage tank is located on Neenah Avenue. A 300,000-gallon spheroid elevated storage tank is located in Sendero Springs near FM 1431.

The District owns all the water supply, treatment, and delivery facilities required to provide drinking water for the District through full build-out. The water facility can currently accommodate 8.2 MGD production.

The Sendero Springs portion of the Defined Area is connected to the District's water distribution system and receives water from the District's 300,000 gallon elevated storage tank. The Cornerstone portion of the Defined Area is connected to the District's water distribution system and receives water through a transmission main and the District's 750,000 gallon elevated storage tank.

Wastewater Collection and Treatment

Both of the District’s wastewater treatment plants are now off line and have been demolished. The District has entered into an agreement with the City of Round Rock (“Round Rock”) for wholesale wastewater service through the Brushy Creek Regional Wastewater System (“Regional System”). Development of the Cornerstone portion of the Defined Area is served by gravity to the District’s F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 from the Cornerstone portion of the Defined Area. The Regional System is owned by Round Rock, the City of Austin, and the City of Cedar Park for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District’s contract with Round Rock for wastewater service through the Regional System became effective January 2010 and continues for a term of forty years with renewal options. The District currently has the right to 1,850,000 gallons of capacity in the Regional System, which is sufficient to serve the 7,129 LUEs projected at ultimate buildout.

The Regional System has acquired the Round Rock East WWTP, now known as the Brushy Creek Regional WWTP, which will provide wastewater treatment for customers of the Regional System. This treatment plant is presently constructed and permitted to treat an average wastewater flow rate of 20.0 mgd. The Regional System plans to expand the plant as required to accommodate the demand for wastewater service.

The Sendero Springs portion of the Defined Area is served by gravity wastewater lines in the District’s wastewater collection system that connects to the Regional System. All of the future development in Sendero Springs can be served by gravity lines flowing into the Regional System. All of the future development in Brushy Creek South , including Cornerstone, can be served by gravity lines flowing into existing District interceptor lines.

Storm Drainage

Storm water drainage is provided to the developed portions of the District by a series of storm sewers which convey storm water run-off to Brushy Creek and Lake Creek tributaries to the Brazos River.

100-Year Flood Plain

According to U.S.G.S. topographic maps and Federal Insurance Administration (“FIA”) map, approximately 140 acres of undeveloped land in the District are located in the 100-year flood plain.

Water and Wastewater Operations

- Rate and Fee Schedule –

The District provides water and wastewater service to utility customers within the District, including the Sendero Springs and Cornerstone Defined Area, and charges rates as set by the Board of Directors from time to time. In addition, the District collects certain tap fees, impact fees, and other fees from builders. The rates for water and wastewater service to utility customers of the District which are currently in effect are as follows:

Water (monthly billings)

Residential and Commercial*

	In District	Out of District
Minimum monthly charge.....	\$14.00	\$37.42
Peak Rates (June-Sept.)		
Per 1,000 gallons used.....	\$2.75/gallon	\$2.75/gallon
Off Peak Rates (Oct.-May)		
Per 1,000 gallons used.....	\$2.10/gallon	\$2.10/gallon

Sewer (monthly billings)

Residential and Commercial*

In District Rates:

Minimum monthly charge	\$6.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$2.70

Out-of-District Rates:

Minimum monthly charge	\$12.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$10.80

Tap Fees

Water:

Residential	\$220.00
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Sewer:

Residential	\$60.00
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Impact Fees

Water	\$2,095.00
Wastewater	\$1,804.00

*The minimum charges for commercial customers for water and sewer service are based on water meter sizes and LUEs.

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WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
REVENUES					
Property Taxes	\$3,203,128	\$2,992,389	\$ 2,352,012	\$ 2,142,470	\$2,143,391
Inspections	120,202	139,136	72,167	76,896	59,632
Water and Wastewater Service	5,077,406	5,273,378	5,229,982	5,495,625	4,704,588
Tap and Other Connection Fees	175,272	200,641	137,749	127,648	129,564
Garbage Service	1,155,136	1,118,324	1,088,081	1,050,938	953,173
Interest and Investment Earnings	26,047	54,225	30,230	28,391	51,964
Recreation Center	1,075,802	1,185,755	1,154,217	1,131,354	920,097
Bond Issuance Proceeds	-0-	-0-	-0-	55,777	15,056
Developer Contribution	-0-	-0-	-0-	-0-	-0-
Miscellaneous	231,349	312,922	913,263	255,778	168,068
Park and Recreation Fees	<u>146,585</u>	<u>147,719</u>	<u>143,523</u>	<u>127,724</u>	<u>104,377</u>
TOTAL REVENUES	<u>\$11,210,923</u>	<u>\$10,704,361</u>	<u>\$11,121,224</u>	<u>\$10,492,601</u>	<u>\$9,249,910</u>
EXPENDITURES					
Current:					
Personnel	\$3,088,208	\$2,972,309	\$2,959,280	\$2,815,268	\$2,861,339
Purchased Services for Resale	2,496,818	2,600,850	2,360,385	2,310,474	2,472,603
Administrative	1,173,831	1,372,624	1,335,015	1,387,076	1,114,969
Repairs and Maintenance	656,193	722,269	553,151	568,642	567,252
Utilities	589,144	606,394	590,411	774,449	678,359
Professional Services	452,731	479,589	496,149	513,678	394,474
Contracted Services	393,313	365,273	477,589	364,602	323,893
Capital Outlay	1,457,914	1,172,031	996,779	167,835	329,110
Principal Payments	85,731	80,728	92,175	65,000	65,000
Interest and Fiscal Charges	25,080	32,252	<u>31,711</u>	<u>89,992</u>	
TOTAL EXPENDITURES	<u>\$10,408,963</u>	<u>\$10,404,019</u>	<u>\$9,892,646</u>	<u>\$9,057,016</u>	<u>\$8,843,996</u>
TRANSFERS IN (OUT)	<u>\$ 49,998</u>	<u>\$ 115,218</u>	<u>\$ (521,548)</u>	<u>\$ 236,960</u>	<u>\$ 192,730</u>
INTERFUND FOREGIVENESS OF DEBT (a)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$2,400,779</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 851,958</u>	<u>\$ 1,135,688</u>	<u>\$ 1,108,403</u>	<u>\$ 1,672,545</u>	<u>\$ 2,999,423</u>
Number of Active Water and Sewer Connections	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,132</u>	<u>4,908</u>

INVESTMENT CONSIDERATIONS

The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area in the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment." The ultimate security for payment of principal and interest on the Bonds depends on the ability of the District to collect from the property owners within the Sendero Springs and Cornerstone Defined Area all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the Sendero Springs and Cornerstone Defined Area will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Sendero Springs and Cornerstone Defined Area results from the current market value of single-family and commercial development as well as the construction of improvements within such developments. Continued demand for single family residential 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 of the urban center toward which the marketing of lots is directed. Decreased levels of residential or commercial construction activity would tend to restrict the growth of property values in the Sendero Springs and Cornerstone Defined Area or could adversely impact existing values.

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.

Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Sendero Springs and Cornerstone Defined Area. 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 Sendero Springs and Cornerstone Defined Area.

Although located approximately 19 miles from the central downtown business district of the City of Austin, and approximately 3-4 miles from the City of Round Rock the success of development within the Sendero Springs and Cornerstone Defined Area and growth of Sendero Springs and Cornerstone Defined Area taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics. The Austin Metropolitan Area is generally recognized as the location for many computer manufacturing and related companies. The national media has recently reported a downturn in the U.S. economy and job layoffs, including particularly layoffs in the computer manufacturing industry, some of which layoffs have occurred in the Austin Metropolitan Area. As a result of the general economic slowdown, including particularly in the computer manufacturing industry, demand for homes in the Austin Metropolitan Area, including the Sendero Springs and Cornerstone Defined Area, may be adversely affected.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2014 Assessed Valuation of property within the Defined Area (see "SELECTED FINANCIAL INFORMATION") is \$264,174,702. After issuance of the Bonds, the maximum annual debt service requirement will be \$946,246* (2032) and the average annual debt service requirement will be \$796,124* (2015 through 2039 inclusive). Assuming no increase or decrease from the 2014 Assessed Valuation or Estimate of Value as of January 1, 2015, a tax rate of \$0.38 and \$0.32, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$946,246* and a tax rate of \$0.32 or \$0.27, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$796,124* (see "DEFINED AREA DEBT – Sendero Springs and Cornerstone Defined Area Debt Service Requirements"). The District levied a tax rate in 2014, in the Defined Area, for debt service purposes of \$0.35 per \$100 of assessed valuation.

*Preliminary, subject to change

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes within the Sendero Springs and Cornerstone Defined Area each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the Sendero Springs and Cornerstone Defined Area property. Further, the Registered Owners cannot themselves foreclose on property within the Sendero Springs and Cornerstone Defined Area or sell property within the Sendero Springs and Cornerstone Defined Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

Bankruptcy Limitation to Registered Owners' Right

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11

USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Bond Insurance

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be

made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The District has not made an independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Future Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, for refunding purposes and as necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created, with the approval of the TCEQ. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$36,750,000 for refunding purposes and \$24,500,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$36,525,000* for refunding purposes and \$10,715,000 in authorized but unissued bonds to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. All of the remaining bonds which have heretofore been authorized by the voters of the Sendero Springs and Cornerstone Defined Area may be issued by the District, with the approval of the TCEQ. If the Sendero Springs and Cornerstone Defined Area does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

Environmental Regulation

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

* Preliminary, subject to change

- I. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- II. Restricting the manner in which wastes are released into the air, water, or soils;
- III. Restricting or regulating the use of wetlands or other property;
- IV. Requiring remedial action to prevent or mitigate pollution;
- V. 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 the 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 injunctive relief 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 the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

- Air Quality Issues -

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

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

- Water Supply & Discharge Issues -

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than twenty-five (25) or fifteen (15) connections for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operations of the District's sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued 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 the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual result could differ materially from those in such forward-looking statements.

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

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 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 Defined Area. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B - FORM OF OPINION OF BOND COUNSEL."

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 Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the 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 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (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 the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is 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, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

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.

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District has NOT designated the Bonds as "qualified tax-exempt obligations."

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the maturing principal amounts of and interest on the Escrowed Obligations to be held by the Escrow Agent and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds and (b) the computation of the yields on the Bonds and the Escrowed Obligations. The computations were independently verified by Grant Thornton LLP, based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Grant Thornton LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and 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 is pending against or, to the 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 the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEFINED AREA DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (AUDITED FINANCIAL STATEMENTS OF THE DISTRICT) if audited financial statements are then available. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2015. The District will provide the updated information via EMMA.

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 twelve months after any such fiscal year end, then the District shall file unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by 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.

Certain 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 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 EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 will agree in the Bond Order to provide certain periodic information and notices of certain events in accordance with SEC Rule 15c2-12. The Underwriter's obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or their agent of a certified copy of the Bond Order containing the provisions described under such heading.

The District became obligated in 1994 to make annual disclosure of certain financial information. The District, due to an administrative oversight, inadvertently failed to file the report on a timely basis for fiscal year 2010, which was due by March 30, 2011. However, the District filed the required information on April 13, 2011 and has since instituted procedures to ensure timely filing of all required updated financial information in the future. The District has made all required filings and has established procedures to assure future compliance in a timely manner. Except as noted above the District is in compliance with all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the Developers, the District, and from other sources believed to be reliable. No representation is made as the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related

documents are included herein subject to the detailed 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.

Experts

In approving this Official Statement, the District has relied upon the following experts:

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

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

Updating the Official Statement During Underwriting Period

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Underwriter at closing, unless extended by the Underwriter. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Underwriter.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

President, Board of Directors
Brushy Creek Municipal Utility District

ATTEST:

Secretary, Board of Directors
Brushy Creek Municipal Utility District

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

The information contained in this appendix has been excerpted from the audited financial statements of Brushy Creek Municipal Utility District for the fiscal year ended September 30, 2014. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

The Bonds are limited obligations of the District payable solely from an unlimited ad valorem tax levied on all taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The District provides water services and collects revenues, fees and taxes throughout its service territory and boundaries which includes areas outside of the Sendero Springs and Cornerstone Defined Area. As a result, the District's audited financial statement includes revenues, fees and taxes which are not pledged to the payment of the Bonds. The District's audited financial statements are provided for purposes of compliance with Rule 15c2-12 of the Federal Securities Exchange Act of 1934. Therefore, the District cautions that the financial information set forth herein unrelated to the Sendero Springs and Cornerstone Defined Area should not be construed or interpreted as available or pledged to the payment of the Bonds.

**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2014 and
Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, _____
(Name of Duly Authorized District Representative)

of the _____
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2014 and that copies of the annual audit report have been filed in the District office, located at 16318 Great Oaks Drive, Round Rock, Texas 78681.

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

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

Rebecca B. Tullos, Board President
(Typed Name and Title of above District Representative)

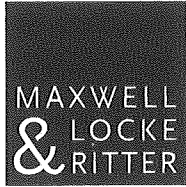
Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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



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: 503 East Main Street
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brushy Creek Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Brushy Creek Municipal Utility District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Adviser"
This firm is not a CPA firm

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality supplemental information and other 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.

The Texas Commission on Environmental Quality supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 Texas Commission on Environmental Quality 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.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Maxwell Zoske & Ritter LLP

Austin, Texas
January 15, 2015

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis Year Ended September 30, 2014

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2014. 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 to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$18,521,704 (*net position*). Of this amount, \$14,486,607 (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The District's net property tax values increased by approximately \$85 million or 7.1% from \$1,193,911,500 to \$1,278,996,832. The District-wide and Defined Area tax rates remained the same as prior year at \$0.50 and \$0.36, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$527,000.

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 Position 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 Position 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 position will indicate financial health.

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

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

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position 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 and other supplemental information are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

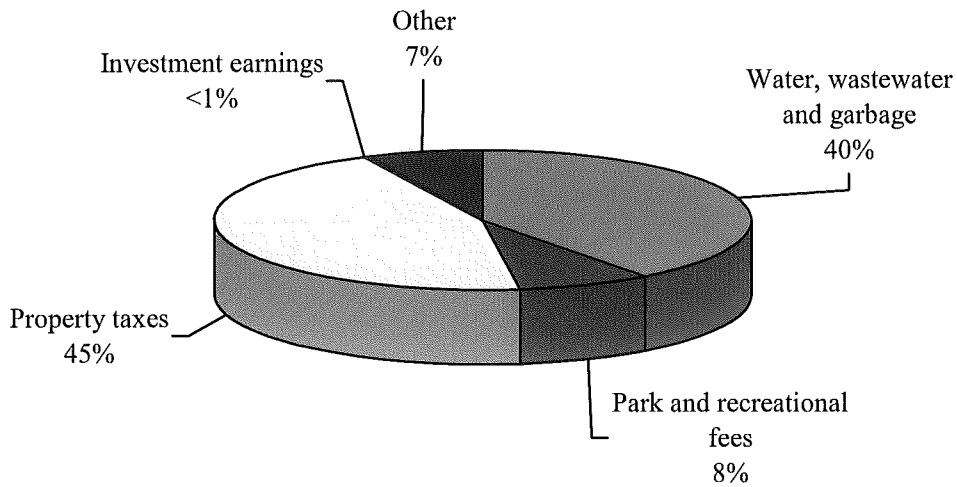
Statement of Net Position

	Governmental Activities		
	2014	2013	% Change
Current and other assets	\$ 22,761,794	\$ 22,334,585	1.9%
Capital assets	45,510,805	46,291,019	(1.7%)
Total assets	\$ 68,272,599	\$ 68,625,604	(0.5%)
Deferred outflows of resources	\$ -	473,691	(100.0%)
Current liabilities	\$ 5,249,113	\$ 5,047,861	4.0%
Long-term liabilities	44,501,782	47,956,247	(7.2%)
Total liabilities	\$ 49,750,895	\$ 53,004,108	(6.1%)
Net investments in capital assets	\$ (624,308)	\$ (3,028,194)	79.4%
Restricted	4,659,405	5,482,131	(15.0%)
Unrestricted	14,486,607	13,641,250	6.2%
Total net position	\$ 18,521,704	\$ 16,095,187	15.1%

The District's total assets were approximately \$68.3 million as of September 30, 2014. Of this amount, approximately \$45.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$49.8 million of which approximately \$44.5 million represent bonds and capital lease payable.

The District's property tax assessed value in fiscal year 2014 (which was based on the 2013 tax levy) was approximately \$1,279 million compared to approximately \$1,194 million in fiscal year 2013. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District's main revenue sources are utility services, property taxes, and recreational fees.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2014	2013	% Change
Water, wastewater and garbage	\$ 6,232,542	\$ 6,391,702	(2.5%)
Property taxes	7,141,820	6,615,089	8.0%
Parks and recreational fees	1,222,387	1,333,474	(8.3%)
Investment earnings	47,192	101,647	(53.6%)
Contributed capital assets	-	1,952,945	(100.0%)
Other	1,117,813	1,339,162	(16.5%)
Total revenues	15,761,754	17,734,019	(11.1%)
Water, wastewater and garbage	2,496,818	2,600,850	(4.0%)
Salary and related expenditures	3,068,389	2,955,637	3.8%
Administrative	1,030,381	1,212,155	(15.0%)
Repairs and maintenance	656,193	722,269	(9.1%)
Utilities	589,144	606,394	(2.8%)
Professional fees	332,304	352,583	(5.8%)
Contracted services	383,313	365,273	4.9%
Other	349,300	364,808	(4.3%)
Debt service	2,191,267	2,744,505	(20.2%)
Depreciation	2,183,019	3,040,679	(28.2%)
Total expenses	13,280,128	14,965,153	(11.3%)
Loss on disposal of capital assets	(55,109)	-	(100.0%)
Change in net position	2,426,517	2,768,866	(12.4%)
Beginning net position	16,095,187	13,326,321	20.8%
Ending net position	\$ 18,521,704	\$ 16,095,187	15.1%

Operating revenues decreased by approximately \$2.0 million to approximately \$15.8 million for the fiscal year ended September 30, 2014. Water, wastewater and garbage service provided approximately \$6.2 million, and property taxes, including penalties and interest, generated approximately \$7.1 million in revenues. The primary decrease in revenues is due to a decrease in contributed capital assets from the developer in the previous year. Total expenses decreased approximately \$1.7 million to approximately \$13.3 million for the fiscal year ended September 30, 2014. Net position increased approximately \$2.4 million for the fiscal year ended September 30, 2014 compared to an increase of approximately \$2.8 million for the fiscal year ended September 30, 2013.

Analysis of Governmental Funds

	2014	2013
Cash and cash equivalents	\$ 4,456,351	\$ 6,556,065
Investments	17,429,301	14,817,582
Receivables	844,901	953,303
Interfund receivable	108,487	552,104
Prepays and other assets	31,241	7,635
Total assets	\$ 22,870,281	\$ 22,886,689
Accounts payable	\$ 389,874	\$ 445,270
Refundable deposits	621,306	601,250
Other liabilities	133,531	137,610
Interfund payable	108,487	552,104
Unearned revenue	106,356	561
Total liabilities	1,359,554	1,736,795
Deferred inflows of resources - property taxes	36,383	33,235
Nonspendable fund balance	30,581	7,635
Restricted fund balance	7,969,364	8,331,990
Committed fund balance	4,282,084	4,222,655
Unassigned fund balance	9,192,315	8,554,379
Total fund balances	21,474,344	21,116,659
Total liabilities, deferred inflows of resources and fund balances	\$ 22,870,281	\$ 22,886,689

The *General Fund* pays for daily operating expenditures. Fiscal year 2014 revenues exceeded the budget by 3%. The increase in revenues was across the board and seen in utilities, recreation, fees, and services. Growth in recreation revenue was driven by increased participation in outdoor leagues, contract programs and rentals. Waste water revenue was the source of utility revenues exceeding the budget. This was due to higher water consumption during the winter averaging months than was expected.

Fiscal year 2014 expenditures were under budget by 5%. This was due to several projects not being completed during the budget year including park lighting (\$350,000), trail repairs (\$125,000), and intake pond cleaning at the water facility (\$150,000). Funding for these projects was set aside in reserves and the projects have begun in fiscal year 2015.

For the year ended September 30, 2014, the District came in ahead of budget for the General Fund by approximately \$852,000. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

In addition to the General Fund commitments noted above, the Board of Directors has approved a resolution to set aside \$5,181,628 for a 6-month Operating Reserve and \$1,941,880 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The *Debt Service Fund* includes property taxes collected to retire bond principal and to pay interest due.

The *Capital Projects Fund* primarily purchases the District's infrastructure.

Capital Assets

	2014	2013
Land	\$ 3,366,372	\$ 3,363,452
Construction in process	783,085	638,665
Water, wastewater, and drainage systems	78,843,836	78,813,981
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,284,292	4,284,292
Furniture and equipment	418,660	953,699
Park and recreational facilities	6,115,833	5,137,565
Automobiles and trucks	252,650	290,223
Subtotal	94,966,619	94,383,768
Accumulated depreciation	(49,455,814)	(48,092,749)
Total	\$ 45,510,805	\$ 46,291,019

The increase in park and recreational facilities is primarily due to the District completing the Shirley McDonald Park improvement project at a total cost of approximately \$652,000 and the trail extension project which had a total cost of approximately \$166,000.

Management made a decision this year to write off some assets which are fully depreciated. As a result, furniture and equipment and automobiles and trucks decreased approximately \$577,000.

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

Long-Term Debt Activity

	2014	2013
District-wide:		
Series 2002 Revenue Bonds	\$ 370,000	\$ 445,000
Series 2005 Bonds	1,265,000	1,365,000
Series 2007 Bonds	650,000	680,000
Series 2009 Refunding Bonds	3,955,000	5,485,000
Series 2010 Refunding Bonds	13,260,000	14,280,000
Series 2011 Refunding Bonds	2,070,000	2,075,000
Series 2012 Refunding	9,070,000	9,240,000
Series 2013 Refunding	6,070,000	6,080,000
Capital leases payable	4,934	15,665
Total District-wide	36,714,934	39,665,665
Defined Area:		
Series 2008 Bonds	1,695,000	1,755,000
Series 2009 Bonds	2,165,000	2,220,000
Series 2011 Bonds	2,235,000	2,305,000
Series 2013 Bonds	3,420,000	3,500,000
Total Defined Area	9,515,000	9,780,000
Total	\$ 46,229,934	\$ 49,445,665

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

District-wide:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,065,000	1,292,407	4,357,407
2016	2,295,000	1,180,290	3,475,290
2017	2,165,000	1,098,683	3,263,683
2018	2,240,000	1,023,566	3,263,566
2019	2,245,000	945,187	3,190,187
2020-2024	12,585,000	3,437,107	16,022,107
2025-2028	12,115,000	1,053,889	13,168,889
Total	\$ 36,710,000	10,031,129	46,741,129

Defined Area:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 270,000	455,013	725,013
2016	285,000	443,725	728,725
2017	300,000	432,493	732,493
2018	320,000	420,713	740,713
2019	330,000	407,513	737,513
2020-2024	1,930,000	1,811,963	3,741,963
2025-2029	2,500,000	1,307,762	3,807,762
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	\$ 9,515,000	5,984,503	15,499,503

The District owes approximately \$46.2 million to bond holders. Overall, the principal balance of outstanding bonds and capital leases payable decreased approximately \$3.2 million during the year. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The District-wide 2014 tax rate has been set at \$0.48 per \$100 of assessed valuation. The Sendero Springs/Cornerstone Defined Area has set a 2014 tax rate of \$0.35 per \$100 of assessed valuation. The adopted budget for 2015 projects the General Fund fund balance will remain the same.

The planning and design for a number of other large projects occurred during fiscal year 2014. These projects are also set to start in fiscal year 2015. This includes an expansion of the Community Center which will be funded by a combination of reserves and revenue bonds, water line replacements in Brushy Creek North to be funded by reserves, and a new pavilion in Cat Hollow Park to be funded by current year revenues.

Construction of homes in the last residential development in the District will start in January 2015. As the District reaches residential build out, the last remaining commercial properties are also being developed in the RR 620 and FM 1431 corridors. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

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 16318 Great Oaks Drive, Round Rock, Texas 78681.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS						
Cash and cash equivalents	\$ 4,169,967	284,382	2,002	4,456,351	-	4,456,351
Investments	10,572,976	5,029,646	1,721,142	17,323,764	-	17,323,764
Receivables:						
Service accounts, net	805,461	-	-	805,461	-	805,461
Taxes	16,227	20,156	-	36,383	-	36,383
Other	3,057	-	-	3,057	-	3,057
Due from other funds	91,946	16,541	-	108,487	(108,487)	-
Other assets	660	-	-	660	-	660
Prepaid items	26,359	3,968	254	30,581	-	30,581
Investments held for customer deposits	105,537	-	-	105,537	-	105,537
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	3,366,372	3,366,372
Construction in process	-	-	-	-	783,085	783,085
Easements and rights-of-way	-	-	-	-	662,037	662,037
Water, wastewater and drainage systems	-	-	-	-	34,497,922	34,497,922
Building and improvements	-	-	-	-	2,585,775	2,585,775
Furniture and equipment	-	-	-	-	144,412	144,412
Park and recreational facilities	-	-	-	-	3,357,417	3,357,417
Automobiles and trucks	-	-	-	-	113,785	113,785
Total assets	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>	<u>45,402,318</u>	<u>68,272,599</u>
LIABILITIES						
Accounts payable	\$ 382,681	7,193	-	389,874	-	389,874
Customer deposits	621,306	-	-	621,306	-	621,306
Other liabilities	133,531	-	-	133,531	-	133,531
Due to other funds	-	91,946	16,541	108,487	(108,487)	-
Accrued bond interest payable	-	-	-	-	592,181	592,181
Unearned revenue	106,356	-	-	106,356	-	106,356
Accrued vacation leave	-	-	-	-	65,931	65,931
Long-term liabilities:						
Due within one year	-	-	-	-	3,339,934	3,339,934
Due after one year	-	-	-	-	44,501,782	44,501,782
Total liabilities	<u>1,243,874</u>	<u>99,139</u>	<u>16,541</u>	<u>1,359,554</u>	<u>48,391,341</u>	<u>49,750,895</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	16,227	20,156	-	36,383	(36,383)	-
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable-						
Prepaid items	26,359	3,968	254	30,581	(30,581)	-
Restricted for:						
Debt service	-	5,231,430	-	5,231,430	(5,231,430)	-
Capital projects	-	-	1,706,603	1,706,603	(1,706,603)	-
Parks capital fees	921,331	-	-	921,331	(921,331)	-
Texas Water Development Board Reserve	110,000	-	-	110,000	(110,000)	-
Committed for repair and replacement of capital assets	4,282,084	-	-	4,282,084	(4,282,084)	-
Unassigned	9,192,315	-	-	9,192,315	(9,192,315)	-
Total fund balances	<u>14,532,089</u>	<u>5,235,398</u>	<u>1,706,857</u>	<u>21,474,344</u>	<u>(21,474,344)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>		
Net position:						
Net investments in capital assets					(624,308)	(624,308)
Restricted for debt service					4,659,405	4,659,405
Unrestricted					14,486,607	14,486,607
Total net position					<u>\$ 18,521,704</u>	<u>18,521,704</u>

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Personnel (including benefits)	\$ 3,059,569	-	-	3,059,569	8,820	3,068,389
Water and wastewater purchases	1,443,292	-	-	1,443,292	-	1,443,292
Garbage fees	1,053,526	-	-	1,053,526	-	1,053,526
Administrative	1,030,381	-	-	1,030,381	-	1,030,381
Repairs and maintenance	656,193	-	-	656,193	-	656,193
Utilities	589,144	-	-	589,144	-	589,144
Contracted services	383,313	-	-	383,313	-	383,313
Other consulting	203,208	-	-	203,208	-	203,208
Engineering fees	106,561	-	-	106,561	-	106,561
Legal fees	103,962	-	-	103,962	-	103,962
Security fees	82,781	-	-	82,781	-	82,781
Insurance	54,704	-	-	54,704	-	54,704
Tax appraisal/collection fees	-	56,691	-	56,691	-	56,691
Audit fees	39,000	-	-	39,000	-	39,000
Directors' fees	28,639	-	-	28,639	-	28,639
Other	5,965	44	49	6,058	-	6,058
Capital outlay	1,457,914	-	-	1,457,914	(1,457,914)	-
Debt service:						
Principal payments	85,731	3,130,000	-	3,215,731	(3,215,731)	-
Interest and fiscal charges	25,080	1,798,849	-	1,823,929	361,013	2,184,942
Bond issuance costs	-	6,325	-	6,325	-	6,325
Depreciation	-	-	-	-	2,183,019	2,183,019
Total expenditures/expenses	10,408,963	4,991,909	49	15,400,921	(2,120,793)	13,280,128
REVENUES:						
Program revenues:						
Water and wastewater service	5,077,406	-	-	5,077,406	-	5,077,406
Garbage collection	1,155,136	-	-	1,155,136	-	1,155,136
Inspection fees	120,202	-	-	120,202	-	120,202
Tap and other connection fees	175,272	-	-	175,272	-	175,272
Recreation center	1,075,802	-	-	1,075,802	-	1,075,802
Park and recreation fees	146,585	-	-	146,585	-	146,585
Capital recovery fees	-	-	590,990	590,990	-	590,990
Total program revenues	7,750,403	-	590,990	8,341,393	-	8,341,393
Net program expense						(4,938,735)
General revenues:						
Property taxes, including penalties and interest	3,203,128	3,935,544	-	7,138,672	3,148	7,141,820
Investment earnings	26,043	16,307	4,842	47,192	-	47,192
Other	231,349	-	-	231,349	-	231,349
Total general revenues	3,460,520	3,951,851	4,842	7,417,213	3,148	7,420,361
Total revenues	11,210,923	3,951,851	595,832	15,758,606	3,148	15,761,754
OTHER FINANCING SOURCES (USES):						
Transfers in (out)	49,998	218,492	(268,490)	-	-	-
Loss on disposal of capital assets	-	-	-	-	(55,109)	(55,109)
Total other financing sources (uses)	49,998	218,492	(268,490)	-	(55,109)	(55,109)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES						
	851,958	(821,566)	327,293	357,685	(357,685)	-
Change in net position	-	-	-	-	2,068,832	2,426,517
FUND BALANCES/NET POSITION:						
Beginning of year	13,680,131	6,056,964	1,379,564	21,116,659	(5,021,472)	16,095,187
End of year	\$ 14,532,089	5,235,398	1,706,857	21,474,344	(2,952,640)	18,521,704

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Water, wastewater and garbage services	\$ 6,117,722	6,126,222	6,232,542	106,320
Property taxes, including penalties and interest	3,157,904	3,157,904	3,203,128	45,224
Recreation center	1,059,990	1,080,590	1,075,802	(4,788)
Park and recreation fees	136,100	141,100	146,585	5,485
Tap connection/inspection fees	184,528	184,528	295,474	110,946
Investment earnings	44,331	44,331	26,043	(18,288)
Other	134,800	134,800	231,349	96,549
Total revenues	10,835,375	10,869,475	11,210,923	341,448
EXPENDITURES:				
Service operations:				
Personnel (including benefits)	3,215,077	3,229,077	3,059,569	169,508
Water and wastewater purchases	1,387,595	1,387,595	1,443,292	(55,697)
Garbage fees	1,010,500	1,018,500	1,053,526	(35,026)
Administrative	1,752,185	1,655,753	1,030,381	625,372
Repairs and maintenance	836,880	710,084	656,193	53,891
Utilities	593,050	591,630	589,144	2,486
Contracted services	732,378	521,183	383,313	137,870
Other consulting	42,200	41,700	203,208	(161,508)
Engineering fees	98,000	98,000	106,561	(8,561)
Legal fees	150,000	150,000	103,962	46,038
Security fees	85,000	85,000	82,781	2,219
Insurance	60,250	60,250	54,704	5,546
Tax appraisal/collection fees	1,000	1,000	-	1,000
Audit fees	40,000	40,000	39,000	1,000
Directors' fees	-	-	28,639	(28,639)
Other	6,500	6,500	5,965	535
Capital outlay	987,800	1,286,243	1,457,914	(171,671)
Debt service:				
Principal payments	75,000	75,000	85,731	(10,731)
Interest and fiscal charges	24,063	24,063	25,080	(1,017)
Total expenditures	11,097,478	10,981,578	10,408,963	572,615
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(262,103)	(112,103)	801,960	914,063
OTHER FINANCING SOURCES (USES):				
Transfers in	1,482,076	1,482,076	49,998	(1,432,078)
Transfers out	(1,219,973)	(1,369,973)	-	1,369,973
Total other financing sources, net	262,103	112,103	49,998	(62,105)
Change in fund balance	-	-	851,958	851,958
FUND BALANCES:				
Beginning of year	13,680,131	13,680,131	13,680,131	-
End of year	\$ 13,680,131	13,680,131	14,532,089	851,958

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Municipal Utility District (the "District"), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

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

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 position and the statement of activities.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and cash equivalents - The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. Allowance for uncollectible accounts as of September 30, 2014 was \$111,041.

Capital Assets - Capital assets, which include land, easements and rights-of-way, infrastructure (water, wastewater and drainage systems purchased, constructed or donated), construction in process, buildings and improvements, park and recreational facilities, automobiles and trucks, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in process) are depreciated using the straight line method over the following estimated useful lives: easements and rights-of-way - forty years, buildings and improvements - ten to forty years, water, wastewater and drainage systems - seven to fifty years, park and recreational facilities - ten to twenty-two years, furniture and equipment - six to ten years, automobiles and trucks - five years.

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

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

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

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 12 and 16 hours per month depending on length of employment. District policy allows for a maximum carry-over from the previous fiscal year. The full amount of accrued paid time off, subject to the maximum accrual limits, is paid upon discontinuance of employment with the District. The District's liability for accrued paid time off at September 30, 2014 was \$65,931.

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

Fund Balance - 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 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes 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 recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is still evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended September 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended September 30, 2015.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 21,474,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	45,510,805
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	36,383
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued vacation payable	(65,931)
Bonds payable, including premiums	(47,836,782)
Bond interest payable	(592,181)
Capital lease payable	(4,934)
Total net position	<u>\$ 18,521,704</u>

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

Excess of revenues and other financing sources over expenditures	\$ 357,685
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	1,457,914
Depreciation	(2,183,019)
Loss on disposal of capital assets	(55,109)
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	3,148
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	3,205,000
Capital lease proceeds provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net position. Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease principal	10,731
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 accrued vacation	(8,820)
Amortization of bond premium	114,769
Amortization of deferred charges on refunding	(473,691)
Change in bond interest payable	(2,091)
Change in net position	<u>\$ 2,426,517</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2014, the District's cash balance deposited in banks totaled \$4,456,351 and 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.

Investments held at September 30, 2014 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pools:			
TexPool	\$ 3,307,483.	1	AAAm
LOGIC	1,864,102	1	AAA
Municipal bonds - Frost Bank	3,625,451	176	Various
US agencies	1,003,530	355	AA+
Certificates of deposit	<u>7,628,735</u>	245	Various
Total	<u>\$ 17,429,301</u>		

At September 30, 2014, the District had investments in two external local governmental investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC"), municipal bonds, US agencies coupon securities and certificates of deposit.

Although TexPool and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pools' shares.

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

LOGIC 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 LOGIC. LOGIC also has a six member governing board to advise on LOGIC’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with LOGIC. First Southwest Asset Management, Inc. and JPMorgan Chase manage daily operations of LOGIC under contract with the Comptroller and are the investment managers for the pool. LOGIC’s investment policy states that it must invest in accordance with the Public Funds Investment Act.

The investments held for customer deposits in the General Fund consist of deposits received from customers to initiate water services with the District. These deposits are to be refunded to customers upon termination of water service with the District and, therefore, are also included as liabilities by the District.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2014, investments were included in local governmental investment pools, municipal bonds, US agencies coupon securities and certificates of deposit with ratings from Standard and Poor’s in compliance with the District’s investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pools 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. Certificates of deposit, US agencies coupon securities and municipal bonds held by the District have set interest rates.

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, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 91,946
Debt Service	Capital Projects	16,541
		\$ 108,487

During the year, the Capital Fund transferred \$49,998 to the General Fund to pay for capital costs associated with the regional wastewater contract and transferred \$218,492 to the Debt Service Fund to pay toward the debt associated with the long term water project.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Retirements and Transfers	Balance September 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,363,452	2,920	-	3,366,372
Construction in process	638,665	783,085	(638,665)	783,085
Total capital assets, not being depreciated	<u>4,002,117</u>	<u>786,005</u>	<u>(638,665)</u>	<u>4,149,457</u>
Capital assets, being depreciated:				
Water, wastewater and drainage systems	78,813,981	305,403	(275,548)	78,843,836
Easements and rights-of-way	901,891	-	-	901,891
Buildings and improvements	4,284,292	-	-	4,284,292
Furniture and equipment	953,699	-	(535,039)	418,660
Park and recreational facilities	5,137,565	339,603	638,665	6,115,833
Automobiles and trucks	290,223	26,903	(64,476)	252,650
Total capital assets, being depreciated	<u>90,381,651</u>	<u>671,909</u>	<u>(236,398)</u>	<u>90,817,162</u>
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(42,928,445)	(1,637,907)	220,438	(44,345,914)
Easements and rights-of-way	(217,306)	(22,548)	-	(239,854)
Buildings and improvements	(1,531,528)	(166,989)	-	(1,698,517)
Furniture and equipment	(761,200)	(48,087)	535,039	(274,248)
Park and recreational facilities	(2,488,020)	(270,396)	-	(2,758,416)
Automobiles and trucks	(166,250)	(37,092)	64,477	(138,865)
Total accumulated depreciation	<u>(48,092,749)</u>	<u>(2,183,019)</u>	<u>819,954</u>	<u>(49,455,814)</u>
Total capital assets, being depreciated, net	<u>42,288,902</u>	<u>(1,511,110)</u>	<u>583,556</u>	<u>41,361,348</u>
Capital assets, net	<u>\$ 46,291,019</u>	<u>(725,105)</u>	<u>(55,109)</u>	<u>45,510,805</u>

6. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	\$ 473,691	-	(473,691)	-

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Bonds payable	\$ 49,430,000	-	(3,205,000)	46,225,000
Premiums on refundings	1,726,551	-	(114,769)	1,611,782
Capital lease payable	15,665	-	(10,731)	4,934
Total	\$ 51,172,216	-	(3,330,500)	47,841,716

Bonds payable at September 30, 2014, is comprised of the following:

	Balance 9/30/2014	Due Within One Year
\$1,500,000, Series 2002, revenue bonds due in annual installments of \$20,000 to \$95,000 through June 1, 2019. Interest varies from 2.50% to 5.90% and is payable June 1 and December 1 each year.	\$ 370,000	80,000
\$9,500,000, Series 2005, serial bonds due in annual installments of \$100,000 to \$595,000 through June 1, 2020. Interest varies from 3.00% to 5.00% and is payable June 1 and December 1 each year.	1,265,000	100,000
\$7,840,000, Series 2007, refunding bonds due in annual installments of \$30,000 to \$325,000 through June 1, 2016. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	650,000	325,000
\$2,020,000, Series 2008, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$60,000 to \$145,000 through June 1, 2031. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	1,695,000	65,000

\$2,365,000, Series 2009, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$55,000 to \$195,000 through June 1, 2033. Interest varies from 4.38% to 6.00% and is payable June 1 and December 1 each year.	2,165,000	60,000
\$7,975,000, Series 2009, refunding bonds due in annual installments of \$195,000 to \$1,530,000 through June 1, 2024. Interest varies from 3.00% to 4.63% and is payable June 1 and December 1 each year.	3,955,000	1,315,000
\$17,190,000, Series 2010, refunding bonds due in annual installments of \$255,000 to \$1,960,000 through June 1, 2026. Interest varies from 3.50% to 4.00% and is payable June 1 and December 1 each year.	13,260,000	1,050,000
\$2,370,000, Series 2011, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$65,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December 1 each year.	2,235,000	65,000
\$2,085,000, Series 2011, refunding bonds due in annual installments of \$5,000 to \$245,000 through June 1, 2028. Interest varies from 4.00% to 5.25% and is payable June 1 and December 1 each year.	2,070,000	5,000
\$9,260,000, Series 2012, refunding bonds due in annual installments of \$20,000 to \$1,600,000 through June 1, 2028. Interest varies from 2.00% to 3.00% and is payable June 1 and December 1 each year.	9,070,000	175,000
\$6,125,000, Series 2013, refunding bonds due in annual installments of \$10,000 to \$1,840,000 through June 1, 2028. Interest varies from 2.00% to 3.50% and is payable June 1 and December 1 each year.	6,070,000	15,000
\$3,500,000, Series 2013, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$230,000 through June 1, 2038. Interest varies from 2.50% to 5.00% and is payable June 1 and December 1 each year.	3,420,000	80,000
Total bonds payable	<u>\$ 46,225,000</u>	<u>3,335,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020-2024	14,515,000	5,249,070	19,764,070
2025-2029	14,615,000	2,361,651	16,976,651
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	\$ 46,225,000	16,015,632	62,240,632

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District except for the Series 2002 Revenue bonds.

Bond covenants for each outstanding issue require that the District maintain utility rates and property tax rates sufficient to operate and maintain the utility system and pay all indebtedness against the system. Covenants also require the District to maintain adequate insurance of the system. The District believes it is in compliance with all significant covenants contained in the debt agreements.

At September 30, 2014, unlimited tax bonds of \$16,345,000 were authorized by the District but unissued of which \$14,245,000 is for improvements to Defined Area water, wastewater and drainage systems and \$2,100,000 is for improvements to District-wide water systems.

The District has a capital lease payable for the purchase of exercise equipment. Principal and interest is due in thirty-six monthly installments of \$452 with an interest rate of 6% and matures in March 2015. The District's capital lease payable at September 30, 2014 was \$4,934. At September 30, 2014, the net carrying value of capital assets related to capital leases was \$18,010.

8. 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 Williamson County Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

The combined tax rate was \$0.5000 per \$100 assessed valuation District-wide, except for the Sendero Springs/Cornerstone Defined Area. The Sendero Springs/Cornerstone Defined Area had an additional tax rate of \$0.3600 per \$100 assessed valuation. The total 2013 tax levy was \$7,141,445 based on a District-wide taxable valuation of \$1,278,996,832.

9. AMOUNTS COLLECTED FOR CAPITAL IMPROVEMENTS

By an agreement dated March 29, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers to the District. The fee has been established by contract between the District and the developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled \$590,990 for the year ended September 30, 2014 and are within the Capital Projects Fund.

10. 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, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. 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 summary of the fund balances is included in the Governmental Funds Balance Sheet on page 12.

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 delegated authority to the General Manager 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.

The Board committed \$4,282,084 of General Fund fund balance to pay for future repairs, replacements and purchases of capital. The amounts committed for funding capital projects as of September 30, 2014 are:

Utility equipment replacement	\$ 37,149
Replacement of water facility membranes	1,000,000
Trail improvements	125,000
Community center equipment replacement	12,455
Park master plan projects	882,969
620 utility work	50,000
Utility improvements	883,602
BRA water line reserves	131,270
Regional waste water improvements	369,639
Sludge removal	150,000
Pepper rock park parking	140,000
Park lighting	500,000
Total committed fund balance	<u>\$ 4,282,084</u>

11. COMMITMENTS AND CONTINGENCIES

The District has entered into several utility development agreements with developers of property within the District. Under the terms of the agreements, a developer funds the cost of construction for water, wastewater and drainage facilities for a specified project which has been approved by the District. The District agrees to purchase the facilities at a price to be determined by the Texas Commission on Environmental Quality, but not to exceed the amount actually expended by the developer plus interest from the dates of expenditure to the date of payment by the District.

In August 1998, the Board authorized the District to enter into a contract with the Brazos River Authority (“BRA”) for participation in the Williamson County Raw Water Line Project. The project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown. The BRA expects to issue approximately \$40,000,000 of debt to finance construction of the project for which total debt service payments are anticipated to be approximately 10%, and the District’s average annual payment to cover its share of the debt service will be approximately \$210,000.

In October 2000, the Board authorized the District to enter into a contract with the BRA and the Lower Colorado River Authority (“LCRA”) for participation in the Sub Regional Wastewater Collection, Treatment and Disposal System. The LCRA utilized its reserved capacity in the system to receive wastewater from the District’s wastewater collection system. The cities of Round Rock, Cedar Park, and Austin purchased the wastewater system from the LCRA in December 2009. The District is a customer of the city of Round Rock. The BRA will operate and maintain the system in order to receive wastewater from the customers’ wastewater collection systems and to treat and dispose of such wastewater. The District will pay charges on the system, their annual estimates for sub-regional operation and maintenance expenses and the resulting estimates of sub-regional capital charges and sub-regional flow charges. The District’s average annual payment will be approximately \$1,100,000 over the next 30 years.

12. PENSION PLAN

The District provides retirement, disability, and death benefits for all of its non temporary full-time employees through a nontraditional defined benefit pension plan in statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 506 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 6.55% for 2014. The contribution rate payable by the District for calendar years 2013 and 2012 was 6.42% and 6.62%, respectively, as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Costs - For the District's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$138,450 and the actual contributions were \$138,450.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contribution rates for calendar years 2013, 2012 and 2011. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30 years	30 years	30 years
Asset valuation method	Ten year smoothed value and fund value	Ten year smoothed value and fund value	Five year smoothed value and fund value

Actuarial Assumptions:

Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend information for the retirement plan for the employees of the District:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2012	\$ 132,340	100%	-
September 30, 2013	133,826	100%	-
September 30, 2014	138,450	100%	-

The following is a schedule of funding progress for the retirement plan for the employees of the District for the three calendar years ended December 31, 2013:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (U/OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll* (c)</u>
December 31, 2011	\$ 1,910,617	1,793,874	(116,743)	106.51%	(6.12%)
December 31, 2012	2,246,736	2,188,381	(58,355)	102.67%	(2.88%)
December 31, 2013	2,611,316	2,455,479	(155,837)	106.35%	(7.46%)

*The annual covered payroll is based on the employer contributions paid to TCDRS for the year ending with the valuation date.

13. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2014

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2014

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 11 to basic financial statements.

(C) Pension Coverage

See Note 12 to basic financial statements.

(D) Pledge of Revenues

See Note 7 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 7 to basic financial statements.

(F) Redemption of Bonds

See Note 7 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES
YEAR ENDED SEPTEMBER 30, 2014**

1. Services Provided by the District:

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

2. Retail Service Providers:

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
IN-DISTRICT WATER	\$ 14.00	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
OUT-OF-DISTRICT WATER	\$ 37.42	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
IN-DISTRICT WASTEWATER	\$ 6.00	-	N	\$ 2.70	Per 1,000
OUT-OF-DISTRICT WASTEWATER	\$ 12.00	-	N	\$ 10.80	Per 1,000
SURCHARGE	\$ None				

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage:

In-District:	Water: \$ <u>35.00 winter</u> \$ <u>41.50 summer</u>	Wastewater: \$ <u>33.00</u>
Out-of-District:	Water: \$ <u>58.42 winter</u> \$ <u>64.92 summer</u>	Wastewater: \$ <u>120.00</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
<=3/4"	5,514	5,498	x 1.0	5,498
1"	38	38	x 2.5	95
1 1/2"	27	27	x 5.0	135
2"	40	40	x 8.0	320
3"	12	12	x 15.0	180
4"	3	3	x 25.0	75
6"	2	2	x 50.0	100
8"	8	8	x 80.0	640
10"	-	-	x 115.0	-
Total Water	5,644	5,628		7,043
Total Wastewater	5,403	5,403	x 1.0	5,403

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

Gallons pumped into system:	<u>933,078,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>779,635,000</u>	(Gallons billed/Gallons pumped)
		<u>83.56% (1)</u>

(1) The water accountability ratio does not include fire hydrant flushing, water used in fire fighting, loss due to water leaks, or other un-metered loss to the system. The District tracks all of those non-billed sources and for FY 2014 the total known consumption was 795,579,000 gallons for an actual ratio of 85.26%.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2014

5. Location of District:

County(ies) in which District is located: Williamson

Is the District located entirely within one county? Yes No

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

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

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

ETJ's in which District is located: City of Round Rock

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

If yes, by whom? N/A

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2014

Personnel Expenditures (including benefits)	\$ 3,059,569
Professional Fees:	
Auditing	39,000
Legal	103,962
Engineering	106,561
Financial Advisor	-
Purchased Services For Resale-	
Bulk Water and Wastewater Service Purchases	1,443,292
Contracted Services:	
Bookkeeping	-
Utility Manager	-
Appraisal District/Tax Collector	-
Other Contracted Services	383,313
Utilities	589,144
Repairs and Maintenance	656,193
Administrative Expenditures:	
Directors' Fees	28,639
Office Supplies	22,858
Insurance	54,704
Other Administrative Expenses	833,902
Capital Outlay:	
Capitalized Assets	1,457,914
Expenditures not Capitalized	-
Tap Connection Expenditures	173,621
Solid Waste Disposal	1,053,526
Fire Fighting	-
Parks and Recreation	(a)
Other Expenditures	402,765
TOTAL EXPENDITURES	<u>\$ 10,408,963</u>

Number of persons employed by the District: 41 Full-Time 69 Part-Time
(Does not include independent contractors or consultants; however, does include seasonal staff)

(a) Parks and recreation costs are included within the various General Fund expenditures above.
For the year ended September 30, 2014, parks and recreation expenditures were \$3,119,334.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2014

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2014	Accrued Interest Receivable at September 30, 2014
General Fund					
Investment in LOGIC	742006801003	Variable	N/A	\$ 195,503	\$ -
Investment in LOGIC	742006801002	Variable	N/A	105,537	-
Investment in TexPool	2461600008	Variable	N/A	888,337	-
Investment in TexPool	2461600001	Variable	N/A	516,915	-
Certificate of deposit in Tx Security	10092	0.50%	10/21/2014	248,711	-
Certificate of deposit in East West Bank	01-72357047	0.40%	4/12/2015	2,013,797	-
Certificate of deposit in Texas Citizens Bank	8029282	0.50%	9/24/2015	246,227	-
Brokered certificate of deposit	063248EV6	0.35%	3/17/2015	245,000	-
Brokered certificate of deposit	05961SBJ2	0.30%	2/19/2015	245,000	-
Brokered certificate of deposit	3814J2Y7	0.40%	8/27/2015	245,000	-
Brokered certificate of deposit	139800BM7	0.30%	3/18/2015	245,000	-
Brokered certificate of deposit	30246ADH8	0.40%	9/25/2015	245,000	-
Brokered certificate of deposit	065680HG8	0.30%	2/12/2015	245,000	-
Brokered certificate of deposit	030590DT7	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	23204HBY	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	073296BG9	0.40%	8/31/2015	245,000	-
Brokered certificate of deposit	17417QAK9	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	75524KCW2	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	2546715W6	0.55%	9/10/2015	245,000	-
Brokered certificate of deposit	38147J4M1	0.40%	9/10/2015	245,000	-
Brokered certificate of deposit	534732AC6	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	71270QGL4	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	853117PA1	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	320844PA5	0.40%	3/10/2015	245,000	-
Brokered certificate of deposit	80280JBF7	0.40%	3/10/2015	245,000	-
Municipal Bonds	644682T55	2.00%	4/1/2015	760,298	-
Municipal Bonds	20772GD96	4.40%	3/15/2015	292,883	-
Municipal Bonds	46615MAD3	0.40%	10/1/2014	500,060	-
US Agencies	3134G56P5	0.50%	6/24/2016	500,245	-
Totals				10,678,513	-
Debt Service Fund					
Investment in LOGIC	2006801001	Variable	N/A	587,616	-
Investment in LOGIC	2006801013	Variable	N/A	498,525	-
Investment in TexPool	449/246160004	Variable	N/A	1,161,295	-
Brokered certificate of deposit	57116AHT8	0.45%	8/6/2015	245,000	-
Brokered certificate of deposit	33583CGE3	0.30%	3/13/2015	220,000	-
Brokered certificate of deposit	87164DFD7	0.45%	8/7/2015	245,000	-
Municipal Bonds	59259YA74	4.00%	11/15/2014	1,051,730	-
Municipal Bonds	235036SY7	2.19%	11/1/2015	1,020,480	-
Totals				5,029,646	-
Capital Projects Fund					
Investment in LOGIC	2006801009	Variable	N/A	476,462	-
Investment in LOGIC	2006801012	Variable	N/A	459	-
Investment in TexPool	449/246160007	Variable	N/A	740,936	-
US Agencies	3135G0FY4	0.750%	12/19/2014	503,285	-
Totals				1,721,142	-
TOTAL ALL FUNDS				\$ 17,429,301	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2014

		Maintenance Taxes	Debt Service Taxes	
TAXES RECEIVABLE, SEPTEMBER 30, 2013		\$ 14,009	\$ 19,226	
2013 Tax Roll		3,201,042	3,940,403	
Adjustments		(3,809)	(13,200)	
Total to be accounted for		<u>3,211,242</u>	<u>3,946,429</u>	
Tax collections:				
Current year		3,192,750	3,922,897	
Prior years		2,265	3,376	
Total collections		<u>3,195,015</u>	<u>3,926,273</u>	
TAXES RECEIVABLE, SEPTEMBER 30, 2014		<u>\$ 16,227</u>	<u>\$ 20,156</u>	
TAXES RECEIVABLE, BY YEARS:				
2013		\$ 8,202	\$ 8,309	
2012		2,746	2,658	
2011		1,595	2,340	
2010		1,137	1,835	
2009 and prior		2,547	5,014	
TAXES RECEIVABLE, SEPTEMBER 30, 2014		<u>\$ 16,227</u>	<u>\$ 20,156</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS-				
Net assessed property valuation:				
District-wide	\$ 1,278,996,832	1,193,911,500	1,162,948,436	1,106,704,060
Defined Area	205,471,258	171,587,825	144,727,844	120,884,140
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.2500	0.2500	0.3000	0.3100
Maintenance tax rates	0.2500	0.2500	0.2000	0.1900
District-wide	0.5000	0.5000	0.5000	0.5000
Defined Area	0.3600	0.3600	0.3600	0.3600
ORIGINAL TAX LEVY	<u>\$ 7,141,445</u>	<u>6,611,512</u>	<u>6,391,741</u>	<u>6,070,576</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	REVENUE SERIES 2002			UNLIMITED TAX SERIES 2005			UNLIMITED TAX REFUNDING SERIES 2007		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 80,000	20,200	100,200	100,000	40,450	140,450	325,000	26,000	351,000
2016	85,000	16,000	101,000	-	34,950	34,950	325,000	13,000	338,000
2017	90,000	11,410	101,410	-	34,950	34,950	-	-	-
2018	95,000	6,460	101,460	-	34,950	34,950	-	-	-
2019	20,000	1,140	21,140	570,000	34,950	604,950	-	-	-
2020	-	-	-	595,000	17,850	612,850	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 370,000</u>	<u>55,210</u>	<u>425,210</u>	<u>1,265,000</u>	<u>198,100</u>	<u>1,463,100</u>	<u>650,000</u>	<u>39,000</u>	<u>689,000</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	DEFINED AREA UNLIMITED TAX SERIES 2008			UNLIMITED TAX DEFINED AREA SERIES 2009			UNLIMITED TAX REFUNDING SERIES 2009		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 65,000	86,480	151,480	60,000	121,875	181,875	1,315,000	176,069	1,491,069
2016	70,000	82,580	152,580	65,000	119,250	184,250	505,000	116,894	621,894
2017	70,000	79,080	149,080	65,000	116,406	181,406	535,000	94,169	629,169
2018	75,000	75,580	150,580	70,000	113,563	183,563	195,000	70,094	265,094
2019	80,000	71,830	151,830	75,000	109,888	184,888	210,000	61,319	271,319
2020	85,000	67,830	152,830	80,000	105,950	185,950	215,000	51,869	266,869
2021	90,000	63,580	153,580	85,000	101,750	186,750	230,000	43,269	273,269
2022	90,000	59,080	149,080	95,000	97,288	192,288	240,000	33,781	273,781
2023	95,000	54,580	149,580	100,000	92,300	192,300	245,000	23,281	268,281
2024	100,000	49,830	149,830	105,000	86,300	191,300	265,000	12,256	277,256
2025	105,000	44,830	149,830	115,000	80,000	195,000	-	-	-
2026	110,000	39,580	149,580	120,000	73,100	193,100	-	-	-
2027	120,000	34,080	154,080	130,000	65,900	195,900	-	-	-
2028	125,000	28,080	153,080	140,000	58,100	198,100	-	-	-
2029	130,000	21,580	151,580	150,000	49,700	199,700	-	-	-
2030	140,000	14,820	154,820	160,000	40,700	200,700	-	-	-
2031	145,000	7,540	152,540	170,000	31,100	201,100	-	-	-
2032	-	-	-	185,000	20,900	205,900	-	-	-
2033	-	-	-	195,000	10,725	205,725	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 1,695,000</u>	<u>880,960</u>	<u>2,575,960</u>	<u>2,165,000</u>	<u>1,494,795</u>	<u>3,659,795</u>	<u>3,955,000</u>	<u>683,001</u>	<u>4,638,001</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2010			DEFINED AREA UNLIMITED TAX SERIES 2011			UNLIMITED TAX REFUNDING SERIES 2011		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 1,050,000	480,575	1,530,575	65,000	101,363	166,363	5,000	79,488	84,488
2016	1,085,000	454,325	1,539,325	65,000	98,600	163,600	5,000	79,296	84,296
2017	1,130,000	421,775	1,551,775	75,000	95,837	170,837	5,000	79,104	84,104
2018	1,170,000	387,875	1,557,875	80,000	92,650	172,650	10,000	78,912	88,912
2019	1,215,000	346,925	1,561,925	80,000	89,250	169,250	175,000	78,528	253,528
2020	1,270,000	304,400	1,574,400	85,000	85,850	170,850	175,000	71,808	246,808
2021	1,320,000	253,600	1,573,600	85,000	82,450	167,450	185,000	65,088	250,088
2022	1,375,000	200,800	1,575,800	90,000	79,050	169,050	190,000	57,984	247,984
2023	1,430,000	145,800	1,575,800	95,000	75,450	170,450	200,000	50,688	250,688
2024	-	88,600	88,600	100,000	71,650	171,650	205,000	43,008	248,008
2025	255,000	88,600	343,600	105,000	67,525	172,525	215,000	35,136	250,136
2026	1,960,000	78,400	2,038,400	110,000	63,194	173,194	225,000	26,880	251,880
2027	-	-	-	110,000	58,244	168,244	230,000	18,240	248,240
2028	-	-	-	115,000	53,294	168,294	245,000	9,408	254,408
2029	-	-	-	120,000	47,975	167,975	-	-	-
2030	-	-	-	125,000	42,425	167,425	-	-	-
2031	-	-	-	135,000	36,331	171,331	-	-	-
2032	-	-	-	290,000	29,750	319,750	-	-	-
2033	-	-	-	305,000	15,250	320,250	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 13,260,000</u>	<u>3,251,675</u>	<u>16,511,675</u>	<u>2,235,000</u>	<u>1,286,138</u>	<u>3,521,138</u>	<u>2,070,000</u>	<u>773,568</u>	<u>2,843,568</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2012			UNLIMITED TAX REFUNDING SERIES 2013			DEFINED AREA ULIMITED TAX SERIES 2013		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 175,000	270,350	445,350	15,000	199,275	214,275	80,000	145,295	225,295
2016	275,000	266,850	541,850	15,000	198,975	213,975	85,000	143,295	228,295
2017	390,000	258,600	648,600	15,000	198,675	213,675	90,000	141,170	231,170
2018	755,000	246,900	1,001,900	15,000	198,375	213,375	95,000	138,920	233,920
2019	40,000	224,250	264,250	15,000	198,075	213,075	95,000	136,545	231,545
2020	45,000	223,050	268,050	15,000	197,775	212,775	100,000	134,170	234,170
2021	660,000	221,700	881,700	15,000	197,475	212,475	105,000	131,370	236,370
2022	685,000	201,900	886,900	15,000	197,025	212,025	110,000	128,220	238,220
2023	710,000	181,350	891,350	15,000	196,575	211,575	115,000	124,645	239,645
2024	1,600,000	160,050	1,760,050	685,000	196,125	881,125	120,000	120,620	240,620
2025	730,000	112,050	842,050	1,635,000	175,575	1,810,575	125,000	115,820	240,820
2026	750,000	90,150	840,150	-	126,525	126,525	135,000	110,820	245,820
2027	1,110,000	67,650	1,177,650	1,775,000	126,525	1,901,525	140,000	104,880	244,880
2028	1,145,000	34,350	1,179,350	1,840,000	64,400	1,904,400	145,000	98,720	243,720
2029	-	-	-	-	-	-	150,000	92,340	242,340
2030	-	-	-	-	-	-	160,000	85,140	245,140
2031	-	-	-	-	-	-	165,000	77,460	242,460
2032	-	-	-	-	-	-	175,000	69,540	244,540
2033	-	-	-	-	-	-	180,000	61,140	241,140
2034	-	-	-	-	-	-	190,000	52,500	242,500
2035	-	-	-	-	-	-	200,000	43,000	243,000
2036	-	-	-	-	-	-	210,000	33,000	243,000
2037	-	-	-	-	-	-	220,000	22,500	242,500
2038	-	-	-	-	-	-	230,000	11,500	241,500
	<u>\$ 9,070,000</u>	<u>2,559,200</u>	<u>11,629,200</u>	<u>6,070,000</u>	<u>2,471,375</u>	<u>8,541,375</u>	<u>3,420,000</u>	<u>2,322,610</u>	<u>5,742,610</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020	2,665,000	1,260,552	3,925,552
2021	2,775,000	1,160,282	3,935,282
2022	2,890,000	1,055,128	3,945,128
2023	3,005,000	944,669	3,949,669
2024	3,180,000	828,439	4,008,439
2025	3,285,000	719,536	4,004,536
2026	3,410,000	608,649	4,018,649
2027	3,615,000	475,519	4,090,519
2028	3,755,000	346,352	4,101,352
2029	550,000	211,595	761,595
2030	585,000	183,085	768,085
2031	615,000	152,431	767,431
2032	650,000	120,190	770,190
2033	680,000	87,115	767,115
2034	190,000	52,500	242,500
2035	200,000	43,000	243,000
2036	210,000	33,000	243,000
2037	220,000	22,500	242,500
2038	230,000	11,500	241,500
	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2014**

	Revenue Series 2002	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008	Defined Area Unlimited Tax Series 2009	Refunding Series 2009	Refunding Series 2010	Defined Area Unlimited Tax Series 2011	Refunding Series 2011	Refunding Series 2012	Refunding Series 2013	Defined Area Unlimited Tax Series 2013
Interest rate	2.50 to 5.90%	3.00 to 5.00%	3.75 to 4.00%	3.75 to 4.00%	4.38 to 6.00%	3.00 to 4.63%	3.50 to 4.00%	4.00 to 5.00%	4.00 to 5.25%	2.00 to 3.00%	2.00 to 3.50%	2.50 to 5.00%
Dates interest payable	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/19	6/1/20	6/1/16	6/1/31	6/1/33	6/1/24	6/1/26	6/1/33	6/1/28	6/1/28	6/1/28	6/1/38
Bonds outstanding, beginning of year	\$ 445,000	1,365,000	680,000	1,755,000	2,220,000	5,485,000	14,280,000	2,305,000	2,075,000	9,240,000	6,080,000	3,500,000
Bonds issued during current year	-	-	-	-	-	-	-	-	-	-	-	-
Bonds retired during current year	(75,000)	(100,000)	(30,000)	(60,000)	(55,000)	(1,530,000)	(1,020,000)	(70,000)	(5,000)	(170,000)	(10,000)	(80,000)
Bonds outstanding, end of year	\$ 370,000	1,265,000	650,000	1,695,000	2,165,000	3,955,000	13,260,000	2,235,000	2,070,000	9,070,000	6,070,000	3,420,000
Interest paid during current year	\$ 24,063	45,950	27,125	90,080	124,350	244,919	506,075	104,338	79,680	273,750	199,475	110,471

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (continued) SEPTEMBER 30, 2014

	<u>Grand Totals</u>
Bonds outstanding, beginning of year	\$ 49,430,000
Bonds issued during current year	-
Bonds retired during current year	<u>(3,205,000)</u>
Bonds outstanding, end of year	<u>\$ 46,225,000</u>
Interest paid during current year	<u>\$ 1,830,276</u>

Paying agent's name & address:	Series 2005, 2007, 2008 2009, 2010, 2012 and 2013	Wells Fargo Bank Minneapolis, Minnesota 55479
	Series 2002	The Bank of New York Mellon Dallas, Texas 75201
	Series 2011	BB&T Governmental Finance Charlotte, North Carolina 28217

	<u>District Tax Bonds*</u>	<u>Defined Area Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond authority:				
Amount authorized	\$ 74,100,000	24,500,000	-	73,844,998
Amount issued	<u>72,000,000</u>	<u>10,255,000</u>	-	<u>73,844,998</u>
Remaining to be issued	<u>\$ 2,100,000</u>	<u>14,245,000</u>	-	-

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investments balances
as of September 30, 2014: \$ 5,314,028

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 2,593,360

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED SEPTEMBER 30, 2014**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 5,077,406	5,273,378	5,229,982	5,495,625	4,704,588	45.3 %	46.2	50.5	52.4	50.9
Garbage collection	1,155,136	1,118,324	1,088,081	1,050,938	953,173	10.3	9.8	10.5	10.0	10.3
Inspection fees	120,202	139,136	72,167	76,896	59,632	1.1	1.2	0.7	0.8	0.6
Tap and other connection fees	175,272	200,641	137,749	127,648	129,564	1.6	1.8	1.3	1.2	1.4
Recreation center	1,075,802	1,185,755	1,154,217	1,131,354	920,097	9.6	10.4	11.1	10.8	9.9
Park and recreation fees	146,585	147,719	143,523	127,724	104,377	1.3	1.3	1.4	1.2	1.1
Property taxes, including penalties and interest	3,203,128	2,992,389	2,352,012	2,142,470	2,143,391	28.6	26.2	22.7	20.4	23.2
Investment earnings	26,043	54,225	30,230	28,391	51,964	0.2	0.5	0.3	0.3	0.6
Other	231,349	312,922	155,295	255,778	168,068	2.0	2.6	1.5	2.4	1.8
Bond issuance proceeds	-	-	-	55,777	15,056	-	-	-	0.5	0.2
Total revenues and other sources	11,210,923	11,424,489	10,363,256	10,492,601	9,249,910	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	3,088,208	2,972,309	2,959,280	2,815,268	2,861,339	27.5	26.0	28.6	26.8	30.9
Purchased services for resale	2,496,818	2,600,850	2,360,386	2,310,474	2,472,603	22.3	22.8	22.8	22.0	26.7
Administrative	1,173,831	1,372,324	1,335,015	1,387,076	1,114,696	10.5	12.0	12.9	13.2	12.1
Repairs and maintenance	656,193	722,269	553,151	568,642	567,252	5.9	6.3	5.3	5.4	6.1
Utilities	589,144	606,394	590,411	774,449	678,359	5.3	5.3	5.7	7.4	7.3
Professional services	452,731	479,589	496,149	513,678	394,474	4.0	4.2	4.8	4.9	4.3
Contracted services	383,313	365,273	477,589	364,602	323,893	3.4	3.2	4.6	3.5	3.5
Capital outlay	1,457,914	1,172,031	238,811	167,835	329,110	13.0	10.3	2.3	1.6	3.6
Principal payments	85,731	80,728	92,175	65,000	65,000	0.7	0.7	0.8	0.6	0.7
Interest and fiscal charges	25,080	32,252	31,711	89,992	37,270	0.2	0.3	0.3	0.9	0.4
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,408,963	10,404,019	9,134,678	9,057,016	8,843,996	92.8	91.1	88.1	86.3	95.6
TRANSFERS IN (OUT)	49,998	115,218	(521,548)	236,960	192,730	0.4	1.0	(5.0)	2.3	2.1
PROCEEDS FROM CAPITAL LEASES	-	-	32,506	-	-	-	-	0.3	-	-
PROCEEDS FROM INSURANCE	-	-	368,867	-	-	-	-	3.6	-	-
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	2,400,779	-	-	-	-	26.0
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 851,958	1,135,688	1,108,403	1,672,545	2,999,423	7.6 %	9.9	10.7	16.0	32.4

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND (continued)
FIVE YEARS ENDED SEPTEMBER 30, 2014**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
DEBT SERVICE FUND										
REVENUES:										
Property taxes, including penalties and interest	\$ 3,935,544	3,616,509	4,048,769	3,936,546	3,850,549	99.6 %	18.0	99.3	65.7	17.9
Investment earnings	16,307	46,129	27,127	29,177	41,364	0.4	0.2	0.7	0.5	0.2
Proceeds of refunding bonds	-	15,385,000	-	2,029,223	17,174,944	-	76.5	-	33.8	80.0
Premium on refunding debt	-	1,075,145	-	-	402,124	-	5.3	-	-	1.9
Total revenues and other sources	<u>3,951,851</u>	<u>20,122,783</u>	<u>4,075,896</u>	<u>5,994,946</u>	<u>21,468,981</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	3,130,000	2,935,000	2,670,000	2,600,000	2,320,000	79.2	14.6	65.5	43.4	10.8
Interest and fiscal charges	1,798,849	1,639,357	1,981,581	1,936,308	2,350,589	45.5	8.1	48.6	32.3	10.9
Tax appraisal and collection	56,691	53,241	53,368	53,008	52,292	1.4	0.3	1.3	0.9	0.2
Bond issuance costs	6,325	474,741	-	10,062	495,483	0.2	2.4	-	0.2	2.3
Payment to refunded bond escrow agent	-	16,211,975	-	2,051,423	17,050,000	-	80.5	-	34.2	79.4
Other	44	65	-	335	13,518	-	-	-	-	0.1
Total expenditures and other uses	<u>4,991,909</u>	<u>21,314,379</u>	<u>4,704,949</u>	<u>6,651,136</u>	<u>22,281,882</u>	<u>126.3</u>	<u>105.9</u>	<u>115.4</u>	<u>111.0</u>	<u>103.7</u>
TRANSFERS IN	<u>218,492</u>	<u>199,386</u>	<u>188,199</u>	<u>188,492</u>	<u>194,177</u>	<u>5.5</u>	<u>1.0</u>	<u>4.6</u>	<u>3.1</u>	<u>0.9</u>
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	1,435,461	-	-	-	-	6.7
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (821,566)</u>	<u>(992,210)</u>	<u>(440,854)</u>	<u>(467,698)</u>	<u>816,737</u>	<u>(20.8) %</u>	<u>(4.9)</u>	<u>(10.8)</u>	<u>(7.9)</u>	<u>3.9</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,308</u>	<u>5,155</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,403</u>	<u>5,241</u>	<u>5,205</u>	<u>5,132</u>	<u>4,908</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2014**

Complete District Mailing Address: 16318 Great Oaks Drive
Round Rock, Texas 78681

District Business Telephone Number: (512) 255-7871

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) July 31, 2013

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

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/14</u>	<u>Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Rebecca B. Tullos	Elected 11/14 - 11/18	7,200 (1)	-	President
Russ Shermer	Elected 11/12-11/16	4,050 (1)	-	Vice President
Shean Dalton	Elected 11/14 - 11/18	4,050 (1)	-	Treasurer
Kim Filiatrault	Elected 11/14 - 11/18	- (1)	-	Secretary
Donna B. Parker	Appointed 7/13-11/16	6,450 (1)	-	Assistant Treasurer and Assistant Secretary
<u>Former Board Members -</u>				
Jeff Goldstein	Elected 5/10-11/14	3,900 (1)	-	Former Secretary

(1) Fees incurred by this director during the current fiscal year were paid subsequent to year end.

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

Key Administrative Personnel:

Mike Petter	2006	\$ 128,216	\$ 320	General Manager
David Gaines	2013	\$ 84,176	\$ 89	Officer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2014

Name and Address	Date Hired	Fees and Expense Reimbursements 9/30/14	Title at Year End
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$ 98,742	Attorney
Judy Osborn	2004	7,045	Attorney
Maxwell Locke & Ritter LLP	2008	32,000	Auditor
Williamson Central Appraisal District	1981	58,849	Tax Appraiser
Williamson County Tax Office	1981	4,532	Tax Collector
Bury Partners	2009	60,101	Engineer
Patterson & Associates	2008	20,000	Investment Advisor
MRB Group	2013	21,949	Engineer
McCall Parkhurst Horton	1994	800	Bond Counsel
Bank of New York, Mellon	2009	7,000	Arbitrage Auditor
RimRock	2,008	17,201	Rate Consultant
Baker-Aicklen & Associates, Inc.	2013	10,614	Engineer
Halff Associates	2011	669,506	Engineer

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2014

		DISTRICT		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Dedicated Oconnor RR LP	Land & Improvements	\$ 74,000,000	-	-
CWS Brushy Creek LP	Land & Improvements	36,633,704	-	-
Highland 620 Land Investment LTD	Land & Improvements	17,802,906	9,208,702	9,345,322
HE Butt Inc.	Land & Improvements	7,700,000	7,458,170	7,458,170
Great American Storage Partners LLC	Land & Improvements	5,232,966	4,598,988	-
MGP, XXII LLC	Land & Improvements	4,998,873	4,675,698	4,300,000
Kopels Perter A & Henry Aaratow	Land & Improvements	4,655,950	4,558,850	4,566,174
Barclay/ Texas Holdings 6 LP	Land & Improvements	4,306,991	-	-
Atmos Energy/MID-Tex Distribution	Land & Improvements	4,042,847	3,576,093	3,468,045
HEB Grocery Company LP	Land & Improvements	4,028,981	4,265,478	4,569,024
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	-	64,348,133	55,355,008
The Park at Brushy Creek LTD	Land & Improvements	-	32,989,667	30,500,000
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	-	-	3,737,933
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Total		\$ 163,403,218	143,259,705	132,632,259
Percent of Assessed Valuation		10.9%	11.2%	11.1%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS (continued) SEPTEMBER 30, 2014

		DEFINED AREA		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Highland 620 Land Investment LTD	Land & Improvements	\$ 17,802,906	9,208,702	9,345,322
Streetman Homes LTD LLP	Land & Improvements	2,167,671	1,445,352	1,353,797
Hy-Land North Joint Venture	Land & Improvements	1,578,829	1,300,204	3,140,551
Hatch House Management Company LLC	Land & Improvements	1,536,099	-	-
Weekley Homes LP	Land & Improvements	649,512	1,231,072	872,647
Standard Pacific Homes Inc	Land & Improvements	599,400	-	-
First Star Bank SSB	Land & Improvements	592,898	456,075	-
McDonald, Alice L	Land & Improvements	556,237	455,577	-
Zaman, Agsar Uz	Land & Improvements	535,994	-	-
Obrien, Thomas J & Kelly S Craig	Land & Improvements	515,123	-	-
Hofkamp, Michael & Susan	Land & Improvements	-	-	403,088
Harris, Neil C & Lynne J	Land & Improvements	-	-	815,665
Bhandari, Ashraf M & Riaz Karim Ali	Land & Improvements	-	-	399,893
Kallfelz, Paul Jr & Paulette Moose	Land & Improvements	-	471,433	463,041
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Jablonski, Susan M & David B Fogle	Land & Improvements	-	466,049	446,617
Total		\$ 26,534,669	22,614,390	26,573,204
Percent of Assessed Valuation		9.9%	11.0%	15.5%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2014

Type of Property	Tax Roll Year					
	DISTRICT					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 1,265,711,823	84.8%	\$ 1,077,017,811	84.2%	\$ 1,002,166,786	83.9%
Real, Multi Family	116,834,289	7.8%	103,420,703	8.1%	91,925,031	7.7%
Real, Vacant Platted Lots/Tracts	19,968,214	1.3%	22,559,533	1.8%	23,484,294	2.0%
Real, Acreage (Land Only)	9,904	0.0%	638,369	0.0%	722,657	0.1%
Real, Commercial	63,805,898	4.3%	54,449,519	4.3%	49,662,094	4.2%
Real & Intangible Personal, Utilities	6,588,699	0.4%	5,228,081	0.4%	5,043,040	0.4%
Tangible Personal business	6,201,939	0.4%	6,063,603	0.5%	9,971,987	0.8%
Real Inventory	13,677,224	1.0%	9,427,636	0.7%	10,935,611	0.9%
Exempt	-	0.0%	191,577	0.0%	-	0.0%
Total	\$ 1,492,797,990	100%	\$ 1,278,996,832	100%	\$ 1,193,911,500	100%

Type of Property	DEFINED AREA					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 236,496,706	88.3%	\$ 178,722,287	87.0%	\$ 142,871,726	83.3%
Real, Vacant Plotted Lots	15,862,132	5.9%	17,088,933	8.3%	17,360,008	10.1%
Real, Acreage (Land Only)	8,281	0.0%	636,746	0.3%	721,180	0.4%
Real, Commercial & Industrial	1,536,099	0.6%	-	0.0%	-	0.0%
Real & Intangible Personal, Utilities	161,570	0.1%	290,696	0.1%	-	0.0%
Tangible Personal Property	111,291	0.0%	270,496	0.1%	42,788	0.0%
Real Inventory	13,677,224	5.1%	8,462,100	4.2%	10,592,123	6.2%
Total	\$ 267,853,303	100%	\$ 205,471,258	100%	\$ 171,587,825	100%

APPENDIX B
FORM OF BOND COUNSEL OPINION

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on May 14, 2015, authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the Order (collectively, the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, 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 Sendero Springs and Cornerstone Defined Area 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. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the

District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that 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 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Grant Thornton LLP and certain representations of the District, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District 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 the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

OFFICIAL STATEMENT DATED MAY 27, 2015

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 ON CORPORATIONS.

The Bonds will NOT be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

RATING: Standard & Poor's Rating Services (Insured)....."AA" (stable outlook)
 Moody's Investors Service (Underlying) "A2"
 See "MUNICIPAL BOND INSURANCE" and "BOND RATINGS"

\$3,625,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

(A Political Subdivision of the State of Texas, located within Williamson County)

**SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BONDS,
 SERIES 2015**

Dated: June 1, 2015

Due: June 1, as shown below

Interest on the Bonds will accrue from June 1, 2015, and is payable December 1, 2015, and each June 1 and December 1 thereafter until the earlier of maturity or redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof. The Bonds are special limited obligations of Brushy Creek Municipal Utility District ("the District") payable solely from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area (collectively, the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Defined Area; or any other political subdivision.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 117464 (b)	Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 117464 (b)
2016	\$ 40,000	2.000%	0.650%	RU3	2025(c)	\$240,000	3.000%	3.100%	SD0
2017	110,000	2.000%	1.100%	RV1	2026(c)	245,000	3.125%	3.250%	SE8
2018	115,000	2.000%	1.550%	RW9	2027(c)	260,000	3.250%	3.500%	SF5
2019	120,000	2.000%	1.850%	RX7	2028(c)	270,000	3.500%	3.650%	SG3
2020	125,000	3.000%	2.050%	RY5	2029(c)	280,000	3.500%	3.750%	SH1
2021	210,000	3.000%	2.300%	RZ2	2030(c)	295,000	3.625%	3.800%	SJ7
2022	220,000	3.000%	2.500%	SA6	2031(c)	300,000	3.750%	3.850%	SK4
2023	225,000	3.000%	2.750%	SB4	2032(c)	165,000	3.750%	3.900%	SL2
2024 (c)	230,000	3.000%	3.000%	SC2	2033(c)	175,000	3.750%	3.950%	SM0

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first available redemption date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on and after June 1, 2024, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2023, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS- Redemption Provisions."

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

A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000 in principal amount of the District's \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008; and to advance refund \$1,750,000 in principal amount of the District's \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009; and to pay administrative and issuance costs related to the issuance of the Bonds.

The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,435,000 principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area.

The Bonds are offered when, as and if issued and accepted by Raymond James & Associates, Inc. (the "Underwriter"), subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas has been engaged to serve as underwriter's counsel for the offering. Delivery of the Bonds is expected through the facilities of DTC on or about June 30, 2015, in Dallas, Texas.

RAYMOND JAMES

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX C - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

THE DISTRICT MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

Raymond James & Associates, Inc. (referred to herein as the "Underwriters") have agreed to purchase the Bonds from the District for \$3,580,482.70 (being the par amount of the Bonds, less a net original issue discount on the Bonds of \$10,706.05, and less an underwriter's discount of \$33,811.25), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference

between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter 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 bondhouse, broker, dealer or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.5 million, \$22.2 million and \$444.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND RATINGS

Standard & Poor's Rating Services ("Standard & Poor's") is a division of the The McGraw Hill Companies, Inc., a New York corporation. Standard & Poor's is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by Standard & Poor's reflect its analysis of the overall level of credit risk involved in financings. At present Standard & Poor's assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Bonds are expected to receive an insured rating of "AA" from Standard & Poor's solely in reliance upon the insurance of the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds.

Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's Investors Service.

The District is not aware of any rating assigned to the Bonds other than the ratings of Standard & Poor's and Moody's.

FINANCIAL ADVISOR

Robert W. Baird & Co. Incorporated has been engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description	\$3,625,000 Brushy Creek Municipal Utility District (the "District") Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015, dated June 1, 2015, and mature on June 1 in each of the years 2016 through 2033.
Payment of Interest.....	Interest on the Bonds accrues from June 1, 2015, and is payable December 1, 2015, and on each June 1 and December 1 thereafter until maturity or prior redemption.
Other Characteristics	The Bonds are registered bonds in integral multiples of \$5,000 within any one maturity. See "THE BONDS – General Description."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent 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."
Redemption.....	Bonds maturing on and after June 1, 2024, shall be subject to redemption at the option of the District, in whole, or from time to time, in part, prior to maturity on June 1, 2023, or on any date thereafter, at par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amounts and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. See "THE BONDS – Redemption Provisions."
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the Sendero Springs and Cornerstone Defined Area (the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District, which tax under Texas law is not legally limited as to rate or amount. The Bonds are not secured by any other source including other taxable improvements located within the District but outside the Sendero Springs and Cornerstone Defined Area. The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area and are not obligations of the State of Texas; Williamson County, Texas;

the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See “THE BONDS - Source of Payment.”

Payment Record..... This is the first series of refunding bonds and sixth issue overall issued by the District for the Sendero Springs and Cornerstone Defined Area. The District has never defaulted on the timely payment of principal and interest on its outstanding bonded indebtedness. See “DEFINED AREA DEBT.”

Authority for Issuance The Sendero Springs and Cornerstone Defined Area’s voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,435,000 principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, and pursuant to an order adopted by the Board of Directors of the District and a pricing certificate executed by the pricing officer as designated in the order (the order and pricing certificate are collectively referred to herein as the “Bond Order”). See “THE BONDS - Authority for Issuance,” and “- Issuance of Additional Debt.”

Use of Proceeds A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000 in principal amount (the “Series 2008 Refunded Bonds”) of the District’s \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”); and to advance refund \$1,750,000 in principal amount (the “Series 2009 Refunded Bonds”) of the District’s \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2008 Refunded Bonds and the Series 2009 Refunded Bonds are collectively referred to herein as the “Refunded Bonds.” See “PLAN OF FINANCING.”

Remaining Outstanding Bonds..... In addition to the Series 2008 Bonds and the Series 2009 Bonds, the District has issued \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); \$3,500,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”); and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”). The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area’s voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,435,000 principal amount of bonds will remain authorized but unissued to refund bonds issued for

the Sendero Springs and Cornerstone Defined Area. Excluding the Refunded Bonds, \$9,735,000 principal amount of the bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds"). See "THE BONDS – Remaining Outstanding Bonds, and - Authority for Issuance."

- Municipal Bond Insurance Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
- Municipal Bond Insurance and Rating Standard & Poor's Rating Services (BAM) – "AA" (stable outlook). Moody's Investors Service (Underlying) – "A2." See "MUNICIPAL BOND INSURANCE" and "BOND RATINGS."
- Bond Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas
- General Counsel Freeman & Corbett, Austin, Texas
- Underwriter's Counsel..... Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas
- Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas

THE DISTRICT

The District..... Brushy Creek Municipal Utility District (the "District"), of Williamson County, Texas, is a political subdivision of the State of Texas originally created in 1977 as Williamson County Municipal Utility District No. 2 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,270 acres within its boundaries, all of which lie within Williamson County, Texas. See "THE DISTRICT – General."

Location..... The District currently contains approximately 2,270 acres of land and is located approximately 3-4 miles west of the City of Round Rock and 19 miles north of the City of Austin. Approximately 416.683 acres within the District consist of the "Sendero Springs and Cornerstone Defined Area." The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock"). See "THE DISTRICT – General."

Sendero Springs and Cornerstone Defined Area Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal and interest on the unlimited tax bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero

Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA."

Status of Development within the Sendero

Springs and Cornerstone Defined Area..... As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Highland (hereinafter defined) has developed approximately 333.5 acres (1,088 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, and III; and the Enclave at Highland Horizon.

Highland owns approximately 36 acres intended for commercial development within the Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area." See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

The Developers..... Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers." See "THE DEVELOPERS."

Homebuilders The homebuilder currently active within the Sendero Springs and Cornerstone Defined Area is Standard Pacific Homes. The homebuilders currently is marketing homes in the \$225,000 to \$460,000 price range. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Sales Contracts."

Overlapping District Taxes..... The Sendero Springs and Cornerstone Defined Area lies wholly within the boundaries of the District and is subject to taxes levied by the District to pay debt incurred by the District to serve the entire District as well as the District-wide maintenance tax. For the 2014 tax year, the District levied a total tax rate of \$0.48 per \$100 of assessed valuation on all taxable property located within the District for debt

service and maintenance and operation purposes and an additional Defined Area tax of \$0.35 per \$100 of assessed valuation for debt service within the Defined Area. See "DEFINED AREA DEBT – Estimated Overlapping Debt."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
(100% of market value as of January 1, 2014)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation of the Defined Area as of January 1, 2015.....	\$320,000,000 (b)
(100% of estimated market value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Remaining Outstanding Bonds	\$ 9,735,000
The Bonds	<u>3,625,000</u>
Total	\$ 13,360,000
Estimated Overlapping Debt	<u>\$ 20,447,958</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 33,807,958 (c)</u>
Direct Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	5.06 %
As a percentage of Estimated Valuation as of January 1, 2015	4.18 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	12.80 %
As a percentage of Estimated Valuation as of January 1, 2015	10.56 %
Debt Service Fund (as of January 31, 2015)	\$ 1,985,433 (d)
2014 Sendero Springs and Cornerstone Defined Area Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.35
Maintenance	<u>0.00</u>
Total	\$0.35
2014 District Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.25
Maintenance	<u>0.23</u>
Total	\$0.48
Total Tax Rate	\$0.83
Average Annual Debt Service Requirements	
on the Outstanding Bonds and the Bonds (2015-2039)	\$ 802,816
Maximum Annual Debt Service Requirement	
on the Outstanding Bonds and the Bonds (2032).....	\$ 950,903
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.32
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.27
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2032) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.38
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.32
Estimated Population as of March 15, 2015.....	2,559 (e)

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- (a) As certified by the Williamson Central Appraisal District (the "Appraisal District").
 - (b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
 - (d) In addition, accrued interest from June 1, 2015 will be deposited into the fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund value shown is prior to any 2015 scheduled debt service payment.
 - (e) Based upon 3.5 residents per active single-family equivalent connection.

OFFICIAL STATEMENT
relating to

\$3,625,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)

**SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX REFUNDING BONDS,
SERIES 2015**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Brushy Creek Municipal Utility District (the "District") of its \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order (the "Order") adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer on the date of the sale of the Bonds, as authorized by the Order (collectively, the "Bond Order") and pursuant to the Constitution and general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District upon payment of duplication costs and delivery charges.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the form of the Bonds contained in the Bond Order. The Bonds will mature on June 1 of the years and in the principal amounts, and will bear interest from June 1, 2015, at the rates per annum, set forth on the cover page.

Interest on the Bonds will be paid on December 1, 2015, and each June 1 and December 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent" or "Registrar"). **No physical delivery of the Bonds will be made to the beneficial owners thereof.** See "- Book-Entry-Only System" below.

The Bonds will be issued in the denomination of \$5,000 principal amount or integral multiples of \$5,000 thereof.

Defeasance

General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, with reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities. Thereafter the District will have no further responsibility with respect to the amounts available to such Paying Agent /Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the Board of Directors also be invested in Defeasance Securities, as hereinafter defined, maturing in the amount and at the times set forth in the Bond Order and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Order 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 or a commercial bank or trust company 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 the Bond Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

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

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Bonds may

contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Board of Directors.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to the defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State Law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance of those for any other Defeasance Security will be maintained at any particular rating category.

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

Redemption Provisions

The Bonds maturing on and after June 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2023, or on any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

At least 30 calendar days prior to the date fixed for any optional redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. 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, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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

Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provision

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 to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("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.

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

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (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 required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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.

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 purchase of each Security ("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, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 Issue 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).

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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in

“street name,” and will be the responsibility of such Participant and not of DTC, Agent or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Registrar by check mailed on each Interest Payment Date by the Registrar to the Registered Owners at the last known address as it appears on the Registrar’s books on the Record Date.

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 form, 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 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.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner (“Registered Owner” or “Bondholder”), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Assignments, Transfers and Exchanges

The Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or

other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Limitation on Transfer of Bonds

In the event the Book-Entry-Only System is discontinued, neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the Registered Owner of the Bonds (i) during the period commencing on the close of business on the Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Registrar will provide a replacement Bond upon (i) the filing by the Registered Owner with the Paying Agent of evidence satisfactory to the Registrar of the destruction, loss or theft of the Bond and the authenticity of the Registered Owner's ownership and (ii) the furnishing to the Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the Registered Owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,435,000 principal amount of bonds will remain authorized but unissued to refund bonds issued for the Sendero Springs and Cornerstone Defined Area.

The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and the February 2, 2002 election, and the Bond Order.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the Sendero Springs and Cornerstone Defined Area at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as they become 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, to pay when due any other contractual obligations of the Sendero Springs and Cornerstone Defined Area within the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if a city dissolves the District and assumes all debts and liabilities of the District. See "- Annexation" below.

The Bonds are special limited obligations of the District secured solely by an annual ad valorem tax levied on property located within the Sendero Springs and Cornerstone Defined Area (and no other portion of the District) and are not the obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District as described herein.

Payment Record

The District has never defaulted on the payment of the principal and interest on its previously issued bonded indebtedness.

Funds

The Bond Order creates or confirms establishment and maintenance by the District of the debt service fund of the Defined Area (the "Debt Service Fund") to be used to pay the principal of and interest on and Paying Agent fees in respect of the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (1) accrued and capitalized interest on the Bonds, (2) all District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements, and (3) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The principal and interest due to the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and Wells Fargo Bank, National Association, Dallas, Texas (the "Escrow Agent"). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter(s), the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase certain Federal Securities as defined in the order authorizing the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. Bond Counsel will provide in its opinion that as a result of such defeasance and in reliance on the verification report of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose

by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

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

Issuance of Additional Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, for refunding purposes and as necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created, with the approval of the TCEQ. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$36,750,000 for refunding purposes and \$24,500,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$36,435,000 for refunding purposes and \$10,715,000 in authorized but unissued bonds remain to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. See "INVESTMENT CONSIDERATIONS – Future Debt."

Subsequent to creation of both the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance, whichever is less.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

The Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 810 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district, and the District currently has no plans to do so.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas (“Round Rock” or the “City”). Under Texas law, the District may be annexed by the City without the District’s consent. Upon annexation, the City would assume the District’s assets and obligations including the Bonds and dissolve the District. The District has no control or knowledge of the annexation plans of the City. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that is not served by District facilities, if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

The District may without the consent of or notice to any registered owners amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (2) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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PLAN OF FINANCING

Use and Distribution of Bond Proceeds

A portion of the proceeds of the Bonds will be applied to currently refund \$1,560,000 in principal amount (the "Series 2008 Refunded Bonds") of the District's \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds") to advance refund \$1,750,000 in principal amount (the "Series 2009 Refunded Bonds") of the District's \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); and to pay administrative and issuance costs related to the issuance of the Bonds. The Series 2008 Refunded Bonds and the Series 2009 Refunded Bonds, are collectively referred to herein as the "Refunded Bonds."

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Series 2008 Refunded Bonds		Series 2009 Refunded Bonds	
Principal Amount	Maturity Date	Principal Amount	Maturity Date
\$ 225,000	06/01/2019(a)	\$ 180,000	06/01/2022(e)
360,000	06/01/2023(b)	1,190,000	06/01/2031(f)
435,000	06/01/2027(c)	380,000	06/01/2033(g)
540,000	06/01/2031(d)	<u>\$1,750,000</u>	
<u>\$1,560,000</u>			

Redemption Date: 7/07/2015

Redemption Date: 6/01/2017

Aggregate Principal Amount of Bonds Being Refunded\$3,310,000

(a) Portion of a Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
70,000	06/01/2016	-0-
70,000	06/01/2017	70,000
75,000	06/01/2018	75,000
80,000	06/01/2019	80,000
<u>\$295,000</u>		<u>\$225,000</u>

(b) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
85,000	06/01/2020	85,000
90,000	06/01/2021	90,000
90,000	06/01/2022	90,000
95,000	06/01/2023	95,000
<u>\$360,000</u>		<u>\$360,000</u>

(c) Term Bond with mandatory redemption amounts as follows:

Amount	Redemption Date	Amount Redeemed
100,000	06/01/2024	100,000
105,000	06/01/2025	105,000
110,000	06/01/2026	110,000
120,000	06/01/2027	120,000
<u>\$435,000</u>		<u>\$435,000</u>

(d) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
125,000	06/01/2028	125,000
130,000	06/01/2029	130,000
140,000	06/01/2030	140,000
<u>145,000</u>	06/01/2031	<u>145,000</u>
<u>\$540,000</u>		<u>\$540,000</u>

(e) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
70,000	06/01/2018	-0-
75,000	06/01/2019	-0-
80,000	06/01/2020	-0-
85,000	06/01/2021	85,000
<u>95,000</u>	06/01/2022	<u>95,000</u>
<u>\$405,000</u>		<u>\$180,000</u>

(f) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
100,000	06/01/2023	100,000
105,000	06/01/2024	105,000
115,000	06/01/2025	115,000
120,000	06/01/2026	120,000
130,000	06/01/2027	130,000
140,000	06/01/2028	140,000
150,000	06/01/2029	150,000
160,000	06/01/2030	160,000
<u>170,000</u>	06/01/2031	<u>170,000</u>
<u>\$1,190,000</u>		<u>\$1,190,000</u>

(g) Term Bond with mandatory redemption amounts as follows:

<u>Amount</u>	<u>Redemption Date</u>	<u>Amount Redeemed</u>
185,000	06/01/2032	185,000
<u>195,000</u>	06/01/2033	<u>195,000</u>
<u>\$380,000</u>		<u>\$380,000</u>

Remaining Outstanding Bonds

In addition to the Series 2008 Bonds and the Series 2009 Bonds, the District has issued \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"); \$3,500,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"). The Bonds constitute the first series of refunding bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$36,750,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of refunding bonds issued for the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$36,435,000 principal amount of bonds will remain authorized but unissued to refund bond issued for the Sendero Springs and Cornerstone Defined Area. Excluding the Refunded Bonds, \$9,735,000 principal amount of bonds originally issued shall remain outstanding (the "Remaining Outstanding Bonds").

Following the issuance of the Bonds, and excluding the Bonds, the following bonds will remain outstanding:

	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding
Series 2008 Bonds	2,020,000	1,695,000	1,560,000	135,000
Series 2009 Bonds	2,365,000	2,165,000	1,750,000	415,000
Series 2011 Bonds	2,370,000	2,235,000	-0-	2,235,000
Series 2013 Bonds	3,500,000	3,420,000	-0-	3,420,000
Series 2015 Bonds	3,530,000	3,530,000	-0-	3,530,000
	<u>\$13,785,000</u>	<u>\$13,045,000</u>	<u>\$3,310,000</u>	<u>\$9,735,000</u>

Sources and Uses of Funds

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

SOURCES OF FUNDS:

Principal Amount of Bonds	\$3,625,000.00
Net Original Issue Discount	(10,706.05)
Debt Service Fund Transfer	38,000.00
Accrued Interest on Bonds	<u>9,284.03</u>
Total Sources of Funds	\$3,661,577.98

USES OF FUNDS:

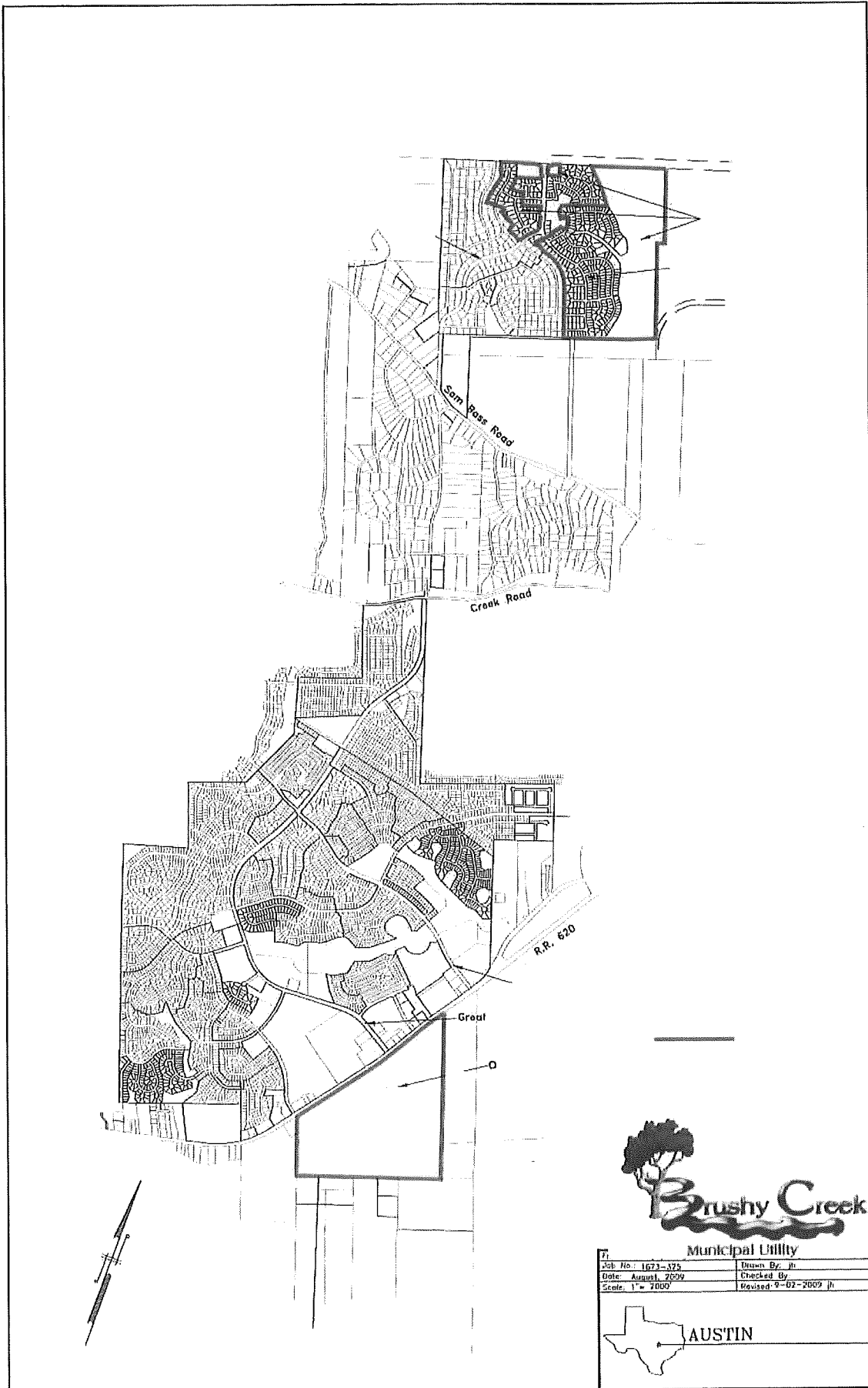
Deposit for Payment of Refunded Bonds	\$3,496,579.76
Deposit of Accrued Interest to Debt Service Fund.....	9,284.03
Issuance Expenses and Underwriter's Discount.....	144,436.25
Municipal Bond Insurance	11,081.14
Additional Proceeds	<u>196.80</u>
Total Uses of Funds.....	\$3,661,577.98

Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Wells Fargo Bank, N.A., Dallas, Texas (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds will be deposited in cash or invested in certain securities of the United States of America (the "Escrowed Obligations") and held in an escrow fund (the "Escrow Fund") to provide for scheduled payments of principal of and interest on the Refunded Bonds until their maturity or redemption dates. At the time of delivery of the Bonds, Grant Thornton L.L.P. will verify to the District, the Escrow Agent, Bond Counsel and the Underwriter that the cash and Escrowed Obligations in the Escrow Fund are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with un-invested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the Escrowed Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution and/or order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

DISTRICT MAPS



7.	
Job No. 1673-375	Drawn By: jh
Date: August 26/99	Checked By:
Scale: 1" = 2000'	Revised: 9-02-2009 jh



AUSTIN

THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA

Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds and \$36,750,000 of refunding bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal of and interest on the unlimited tax Sendero Springs and Cornerstone Defined Area bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District.

Status of Development

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval.

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

THE DISTRICT

General

The District was created by order of the Texas Water Commission, predecessor to TCEQ, adopted on October 27, 1977, and a confirmation election held within the District on January 21, 1978, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission and is located entirely within the extraterritorial jurisdiction of the City of Round Rock and within the boundaries of Round Rock Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters of the District and the Commission, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Subsequent to creation of the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance whichever is less. See “THE BONDS – Issuance of Additional Debt.”

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s System is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM.”

Location

The District is located 19 miles north of the City of Austin. The main portion of the District (southern) is located in Williamson County approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District lies south of FM1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock. Approximately 416.683 acres within the District consist of and are referred to as the “Sendero Springs and Cornerstone Defined Area.” The District is comprised of approximately 2,270 acres of which approximately 2,062 acres are developable excluding parkland. Access to the District is provided by Interstate Highway 35 and either FM 620 or FM 1431.

Management of the District

Name	Title	Term Expires
Rebecca Tullos	President	2018
Russ Shermer	Vice President	2016
Kim Filiatrault	Secretary	2018
Donna B. Parker	Assistant Secretary Treasurer	2016
Shean R. Dalton	Treasurer	2016

- Consultants -

Tax Assessor/Collector

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

Auditor

Maxwell Locke & Ritter LLP, Certified Public Accountant, audited the District’s September 30, 2014 financial statements. See “APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT.”

Engineer

The District’s primary consulting engineer is Halff Associates Inc.

Bond Counsel

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

General Counsel

The District has engaged Freeman & Corbett, Austin, Texas as general counsel.

Financial Advisor

The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor does not guarantee the accuracy or completeness of such information, and has not made independent evaluation of the work product of the consultants or experts retained by the Issuer.

Special Consultant Related to Issuance of the Bonds

Verification Agent – At the time of delivery of the Bonds, Grant Thornton LLP, Certified Public Accountants, will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an

amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review

the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

THE DEVELOPERS

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

Highland is a privately-held Texas corporation with headquarters in Houston. Highland is active in real estate, being developers of large residential, commercial, and industrial projects in several areas of the United States and overseas.

In addition to the land in the Sendero Springs and Cornerstone Defined Area and other parts of the District, Highland either directly or through related entities also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and the Marble Falls Ranch.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area."

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

Utility Development Agreements

- Utility Development Agreements -

Each of the Developers has entered into a Utility Development Agreement with the District. Each of such agreements generally provides that the developer shall install the necessary water, sanitary sewer, storm sewer and drainage facilities necessary to serve its property. The Utility Development Agreement provides that the District will issue defined area bonds to purchase the utility facilities at such time as sufficient tax base has been constructed on the property receiving service to allow the District to retire the bonds being issued at a total tax rate of \$0.56 per \$100 of assessed valuation levied upon the property receiving service from the utilities being purchased. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

- Agricultural Waiver -

Each of the Developers has executed an agreement, which is recorded in the real property records of Williamson County and is a covenant running with the land, waiving the right to have their respective land located within the District classified as agricultural, open-space or timberland. In addition, each developer has waived the right to have its lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on the successors and assignees of each developer. See "TAXING PROCEDURES."

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DEFINED AREA DEBT

General

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Estimate of Value as of January 1, 2015 of the Defined Area	\$320,000,000 (b)
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Remaining Outstanding Bonds	\$ 9,735,000
The Bonds.....	<u>3,625,000</u>
Total.....	\$13,360,000
Estimated Overlapping Debt.....	<u>\$ 20,447,958 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 33,807,958</u>
Debt Service Fund Balance (as of January 31, 2015).....	\$ 1,985,433 (d)
Direct Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	5.06 %
As a percentage of Estimated Valuation as of January 1, 2015.....	4.18 %
Direct and Estimated Overlapping Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	12.80 %
As a percentage of Estimated Valuation as of January 1, 2015.....	10.56 %
Area of the Sendero Springs and Cornerstone Defined Area	416.683 acres
Estimated Population as of March 15, 2015	2,559 (e)

(a) As certified by the Williamson Central Appraisal District ("WCAD") January 1, 2014.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(c) See "DEFINED AREA DEBT – Estimated Overlapping Debt Statement."

(d) In addition, accrued interest from June 1, 2015, will be deposited into this fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund balance is after the June 1 payment.

(e) Based upon 3.5 individuals per active single-family equivalent connection.

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Debt as of April 30, 2015	Estimated Overlapping	
		Percent	Amount
Austin Community College District	\$ 82,713,659	0.188%	\$ 155,694
Brushy Creek MUD	36,340,000	18.273	6,640,587
Round Rock Independent School District	763,845,000	1.117	8,530,544
Williamson County	817,769,942	0.626	<u>5,121,134</u>
Total Estimated Overlapping Debt			\$ 20,447,958
The District			<u>13,360,000(a)</u>
Total Direct & Estimated Overlapping Debt			<u>\$33,807,958</u>
Ratio of Estimated Direct and Overlapping Debt to 2014 Assessed Valuation.....			12.76%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Value as of January 1, 2015			10.54%

(a) Includes the Bonds and excludes the Refunded Bonds

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Overlapping Taxes for 2014

Property within the Sendero Springs and Cornerstone Defined Area is subject to taxation by several taxing authorities in addition to the taxes levied by the District for the Sendero Springs and Cornerstone Defined Area. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in the Sendero Springs and Cornerstone Defined Area in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the Sendero Springs and Cornerstone Defined Area and of such other jurisdictions (see “DEFINED AREA DEBT – Estimated Overlapping Debt”), certain taxing jurisdictions, including the District for the Sendero Springs and Cornerstone Defined Area, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2014 tax rates levied by such jurisdictions on property within the Sendero Springs and Cornerstone Defined Area. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

<u>Overlapping Entity</u>	<u>2014 Tax Rate Per \$100 of Assessed Valuation</u>
Williamson County	\$0.446529
Round Rock ISD	1.337500
The District	0.480000
Williamson County ESD #2	0.100000
Williamson County FM/RD	0.040000
Upper Brushy Creek WCID 1A	0.020000
Austin Community College District	0.094200
The Defined Area	<u>0.350000</u>
Estimated Total Tax Rate	\$2.868229

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Sendero Springs and Cornerstone Defined Area Debt Service Requirements

The following schedule sets forth the debt service requirements of the District for debt payable in whole or in part from ad valorem taxes within the Sendero Springs and Cornerstone Defined Area.

Year	Outstanding Debt Service	Less: The Refunded Bonds	Plus: The Bonds		Total Debt Service
			Principal	Interest	
2015	\$784,735	\$ 90,415		\$ 57,625	\$ 751,945
2016	914,366	180,830	\$ 40,000	114,850	888,386
2017	931,109	249,080	110,000	113,350	905,379
2018	941,669	250,455	115,000	111,100	917,314
2019	936,213	251,580	120,000	108,750	913,383
2020	944,981	252,455	125,000	105,675	923,201
2021	947,200	335,849	210,000	100,650	922,001
2022	952,738	336,624	220,000	94,200	930,314
2023	956,594	336,505	225,000	87,525	932,614
2024	958,519	335,480	230,000	80,700	933,739
2025	963,841	338,755	240,000	73,650	938,736
2026	967,330	336,330	245,000	66,222	942,222
2027	968,955	343,080	260,000	58,169	944,044
2028	968,744	343,730	270,000	49,219	944,233
2029	966,396	343,400	280,000	39,594	942,590
2030	971,858	347,080	295,000	29,347	949,125
2031	970,292	344,770	300,000	18,375	943,897
2032	977,059	200,813	165,000	9,656	950,903
2033	972,176	200,363	175,000	3,281	950,095
2034	463,819				463,819
2035	462,506				462,506
2036	465,306				465,306
2037	462,216				462,216
2038	463,219				463,219
2039	229,219				229,219
	<u>\$20,541,058</u>	<u>\$5,417,593</u>	<u>\$ 3,625,000</u>	<u>\$1,321,938</u>	<u>\$20,070,403</u>

Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds (2015-2039)	\$ 802,816
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2032).....	\$ 950,903

TAX DATA

General

Taxable property within the Sendero Springs and Cornerstone Defined Area is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on all outstanding debt of the Sendero Springs and Cornerstone Defined Area (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's and Sendero Springs and Cornerstone Defined Area's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the Sendero Springs and Cornerstone Defined Area's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for District-wide operation and maintenance purposes. The Board levied a 2014 tax rate for District-wide debt service purposes of \$0.25 per \$100 of assessed valuation and \$0.23 per \$100 of assessed valuation for District operation and maintenance purposes and \$0.35 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area debt service purposes and \$0.00 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area operation and maintenance purposes.

Historical Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the Sendero Springs and Cornerstone Defined Area. Such summary has been prepared for inclusion herein based upon information from the records of the District Tax Assessor/Collector.

Tax Year	Assessed Valuation	Tax Rate/ \$100	Original Tax Levy	Fiscal Year Ending	Collections as of 03/31/2015
2010	122,884,140	0.36	442,383	9-30-11	99.9
2011	144,645,739	0.36	520,725	9-30-12	99.9
2012	171,587,825	0.36	617,716	9-30-13	99.9
2013	205,471,258	0.36	739,697	9-30-14	99.8
2014	267,853,303	0.35	937,487	9-30-15	99.1

Tax Rate Distribution

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District Debt Service	\$0.25	\$0.25	\$0.25	\$0.30	\$0.31
District Maintenance	0.23	0.25	0.25	0.20	0.19
Sendero Springs and Cornerstone Defined Area Debt Service	0.35	0.36	0.36	0.36	0.36
Sendero Springs and Cornerstone Defined Area Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Tax Rate	<u>\$0.85</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>

Analysis of Tax Base

The following represents the type of property comprising the 2010-2014 tax rolls:

Type of Property	<u>2014</u> Assessed	<u>2013</u> Assessed Value	<u>2012</u> Assessed Value	<u>2011</u> Assessed Value	<u>2010</u> Assessed Value
Real Single Family	\$236,496,706	\$178,722,287	\$142,871,726	\$119,835,153	\$94,420,077
Real, Vacant Lots	15,862,132	17,088,933	17,360,008	16,084,672	13,954,285
Real, Acreage	8,281	636,746	721,180	2,667,988	2,660,506
Real, Commercial, & Industrial	1,536,099				
Real & Intangible Personal Utilities	161,570	290,696		34,076	13,562
Tangible Personal	111,291	270,496	42,788	162,304	95,169
Real Inventory	<u>13,677,224</u>	<u>8,462,100</u>	<u>10,592,123</u>	<u>5,861,546</u>	<u>11,740,541</u>
Total	<u>\$267,853,303</u>	<u>\$205,471,258</u>	<u>\$171,587,825</u>	<u>\$144,645,739</u>	<u>\$122,884,140</u>

Tax Rate Limitation

The District's tax rate on the Sendero Springs and Cornerstone Defined Area for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect a district-wide annual ad valorem tax for planning, maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any district-wide bonds and the Sendero Springs and Cornerstone Defined Area. At an election held on April 2, 1983, voters within the District authorized a district-wide maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a district-wide maintenance tax for 2014 of \$0.23 per \$100 of assessed valuation in the District and no additional maintenance tax in the Sendero Springs and Cornerstone Defined Area. At the election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the voters within the Sendero Springs and Cornerstone Defined Area approved the levy of a maintenance tax within the Sendero Springs and Cornerstone Defined Area not to exceed \$0.56 per \$100 of assessed valuation.

Principal Taxpayers

Taxpayer	Type of Property	Assessed Valuation 2014 Tax Roll
Highland 620 Land Investment Ltd(a)	Homebuilder	\$17,802,906
Streetman Homes Ltd LLP	Homebuilder	2,167,671
Hy-Land North Joint Venture(a)	Homebuilder	1,578,829
Hatch House Management Company LLC	Homebuilder	1,536,099
Weekley Homes LLC	Homebuilder	649,512
Standard Pacific Homes Inc(b)	Homebuilder	599,400
First Star Bank SSB	Bank	592,898
Homeowner	Residential	535,994
Homeowner	Residential	529,349
Homeowner	Residential	515,123
Total		<u>\$26,507,781</u>
<u>% of Respective Tax Roll</u>		<u>10.03%</u>
(a) See "THE DEVELOPERS" (b) See "THE HOMEBUILDERS"		

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Assessed Valuation and the Estimated Valuation as of January 1, 2015 and utilize tax rates adequate to service the District's total debt service requirements for the Sendero Springs and Cornerstone Defined Area, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Annual Debt Service Requirements	
on the Remaining Outstanding Bonds and the Bonds (2015-2039)	\$ 802,816
\$0.32 Tax Rate on 2014 Assessed Valuation of \$264,174,702	
at 95% collections produces	\$ 803,091
\$0.27 Tax Rate on the Estimated Valuation as of January 1, 2015 of \$320,000,000	
at 95% collections produces	\$ 820,800
Maximum Annual Debt Service Requirement	
on the Remaining Outstanding Bonds and the Bonds (2032).....	\$ 950,903
\$0.38 Tax Rate on 2014 Assessed Valuation of \$264,174,702	
@ 95% collections produces.....	\$ 953,671
\$0.32 Tax Rate on 2014 Estimated Valuation as of January 1, 2015 of \$320,000,000	
@ 95% collections produces.....	\$ 972,800

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the Sendero Springs and Cornerstone Defined Area of the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which may hereafter be issued for the Sendero Springs and Cornerstone Defined Area and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the district-wide operation and maintenance of the District and its water and wastewater system and for the payment of

certain contractual obligations, if authorized by its voters as well as a maintenance tax for the Sendero Springs and Cornerstone Defined Area. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District 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 sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. 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. Furthermore, qualifying surviving spouses of person 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2015 tax year, the District has granted a \$10,000 exemption for residents who are disabled or 65 and older. See "TAX DATA."

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 District has never adopted a general homestead exemption.

Tax Abatement: The City of Round Rock and/or Williamson County may designate all or a part of the area within the District as a Reinvestment Zone. Williamson County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements and no portion of the District has been designated as a Reinvestment Zone.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2015 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at 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 be 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 WCAD to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 30 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

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

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "DEFINED AREA DEBT – Overlapping Taxes for 2014." A

tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which have been permanently financed by the District with the proceeds of the District's previously issued bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, the TCEQ. According to the District, the design of all such facilities has been approved by all governmental agencies which have approval over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Distribution

Currently the District has peak demands of 5.3 million gallons per day ("MGD") and an average demand of 2.93 MGD.

In 1994, the District purchased from the Brazos River Authority ("BRA") the contractual right to divert and utilize 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional Raw Water Line Project ("Regional Project"). According to the contract with the BRA, the District is responsible for 9.551% of the Regional Project, and the District has been making payments to the BRA in accordance with the contract. Proceeds of the District's outstanding bonds were used to finance the District's own water supply system which includes an 8.2 MGD water treatment plant, transmission line and related facilities. This water is delivered from Stillhouse Hollow Reservoir into Lake Georgetown by the Regional Project.

The District also owns four water wells with a capacity of about 1.7 MGD, one of which is active and producing 1.2 MGD. These wells are considered to be under the influence of surface water, and thus require treatment similar to that used for surface water.

The District has an intake structure and pumping facilities at Lake Georgetown, a raw water line to the District, raw water holding ponds, a drinking water treatment plant, clear well and water storage facilities, pump station, and the treated water lines and related system improvements necessary to furnish a drinking water supply to the District's customers. The intake has been constructed to provide 10 MGD of water. The raw water line has a capacity of 10 MGD.

The water treatment facility is a state-of-the-art micro/ultra-filtration plant with an initial capacity of 6 MGD, and expandable to 10 MGD by adding additional filters to the system. The clear well/ground storage facilities include two one-million gallon concrete tanks. The pump station is designed to meet the maximum daily and hourly needs of the District at full build-out. The maximum daily needs at full build-out are projected to be 8 MGD.

A 750,000-gallon composite elevated storage tank is located on Neenah Avenue. A 300,000-gallon spheroid elevated storage tank is located in Sendero Springs near FM 1431.

The District owns all the water supply, treatment, and delivery facilities required to provide drinking water for the District through full build-out. The water facility can currently accommodate 8.2 MGD production.

The Sendero Springs portion of the Defined Area is connected to the District's water distribution system and receives water from the District's 300,000 gallon elevated storage tank. The Cornerstone portion of the Defined Area is connected to the District's water distribution system and receives water through a transmission main and the District's 750,000 gallon elevated storage tank.

Wastewater Collection and Treatment

Both of the District's wastewater treatment plants are now off line and have been demolished. The District has entered into an agreement with the City of Round Rock ("Round Rock") for wholesale wastewater service through the Brushy Creek Regional Wastewater System ("Regional System"). Development of the Cornerstone portion of the Defined Area is served by gravity to the District's F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 from the Cornerstone portion of the Defined Area. The Regional System is owned by Round Rock, the City of Austin, and the City of Cedar Park for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District's contract with Round Rock for wastewater service through the Regional System became effective January 2010 and continues for a term of forty years with renewal options. The District currently has the right to 1,850,000 gallons of capacity in the Regional System, which is sufficient to serve the 7,129 LUEs projected at ultimate buildout.

The Regional System has acquired the Round Rock East WWTP, now known as the Brushy Creek Regional WWTP, which will provide wastewater treatment for customers of the Regional System. This treatment plant is presently constructed and permitted to treat an average wastewater flow rate of 20.0 mgd. The Regional System plans to expand the plant as required to accommodate the demand for wastewater service.

The Sendero Springs portion of the Defined Area is served by gravity wastewater lines in the District's wastewater collection system that connects to the Regional System. All of the future development in Sendero Springs can be served by gravity lines flowing into the Regional System. All of the future development in Brushy Creek South, including Cornerstone, can be served by gravity lines flowing into existing District interceptor lines.

Storm Drainage

Storm water drainage is provided to the developed portions of the District by a series of storm sewers which convey storm water run-off to Brushy Creek and Lake Creek tributaries to the Brazos River.

100-Year Flood Plain

According to U.S.G.S. topographic maps and Federal Insurance Administration ("FIA") map, approximately 140 acres of undeveloped land in the District are located in the 100-year flood plain.

Water and Wastewater Operations

- Rate and Fee Schedule -

The District provides water and wastewater service to utility customers within the District, including the Sendero Springs and Cornerstone Defined Area, and charges rates as set by the Board of Directors from time to time. In

In addition, the District collects certain tap fees, impact fees, and other fees from builders. The rates for water and wastewater service to utility customers of the District which are currently in effect are as follows:

Water (monthly billings)

Residential and Commercial

	In District	Out of District
Minimum monthly charge	\$14.00	\$37.42
Peak Rates (June-Sept.)		
Per 1,000 gallons used.....	\$2.75/gallon	\$2.75/gallon
Off Peak Rates (Oct.-May)		
Per 1,000 gallons used.....	\$2.10/gallon	\$2.10/gallon

Sewer (monthly billings)

Residential and Commercial In

District Rates:

Minimum monthly charge	\$6.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$2.70

Out-of-District Rates:

Minimum monthly charge	\$12.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$10.80

Tap Fees

Water:

Residential.....	\$220.00
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Sewer:

Residential.....	\$60.00
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Impact Fees

Water	\$2,095.00
Wastewater	\$1,804.00

The minimum charges for commercial customers for water and sewer service are based on water meter sizes and LUEs.

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WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
REVENUES					
Property Taxes	\$3,203,128	\$2,992,389	\$ 2,352,012	\$ 2,142,470	\$2,143,391
Inspections	120,202	139,136	72,167	76,896	59,632
Water and Wastewater Service	5,077,406	5,273,378	5,229,982	5,495,625	4,704,588
Tap and Other Connection Fees	175,272	200,641	137,749	127,648	129,564
Garbage Service	1,155,136	1,118,324	1,088,081	1,050,938	953,173
Interest and Investment Earnings	26,047	54,225	30,230	28,391	51,964
Recreation Center	1,075,802	1,185,755	1,154,217	1,131,354	920,097
Bond Issuance Proceeds	-0-	-0-	-0-	55,777	15,056
Developer Contribution	-0-	-0-	-0-	-0-	-0-
Miscellaneous	231,349	312,922	913,263	255,778	168,068
Park and Recreation Fees	<u>146,585</u>	<u>147,719</u>	<u>143,523</u>	<u>127,724</u>	<u>104,377</u>
TOTAL REVENUES	<u>\$11,210,923</u>	<u>\$10,704,361</u>	<u>\$11,121,224</u>	<u>\$10,492,601</u>	<u>\$9,249,910</u>
EXPENDITURES					
Current:					
Personnel	\$3,088,208	\$2,972,309	\$2,959,280	\$2,815,268	\$2,861,339
Purchased Services for Resale	2,496,818	2,600,850	2,360,385	2,310,474	2,472,603
Administrative	1,173,831	1,372,624	1,335,015	1,387,076	1,114,969
Repairs and Maintenance	656,193	722,269	553,151	568,642	567,252
Utilities	589,144	606,394	590,411	774,449	678,359
Professional Services	452,731	479,589	496,149	513,678	394,474
Contracted Services	393,313	365,273	477,589	364,602	323,893
Capital Outlay	1,457,914	1,172,031	996,779	167,835	329,110
Principal Payments	85,731	80,728	92,175	65,000	65,000
Interest and Fiscal Charges	25,080	32,252	<u>31,711</u>	<u>89,992</u>	
TOTAL EXPENDITURES	<u>\$10,408,963</u>	<u>\$10,404,019</u>	<u>\$9,892,646</u>	<u>\$9,057,016</u>	<u>\$8,843,996</u>
TRANSFERS IN (OUT)	<u>\$ 49,998</u>	<u>\$ 115,218</u>	<u>\$ (521,548)</u>	<u>\$ 236,960</u>	<u>\$ 192,730</u>
INTERFUND FOREGIVENESS OF DEBT (a)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$2,400,779</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 851,958</u>	<u>\$ 1,135,688</u>	<u>\$ 1,108,403</u>	<u>\$ 1,672,545</u>	<u>\$ 2,999,423</u>
Number of Active Water and Sewer Connections	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,132</u>	<u>4,908</u>

INVESTMENT CONSIDERATIONS

The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area in the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment." The ultimate security for payment of principal and interest on the Bonds depends on the ability of the District to collect from the property owners within the Sendero Springs and Cornerstone Defined Area all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the Sendero Springs and Cornerstone Defined Area will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Sendero Springs and Cornerstone Defined Area results from the current market value of single-family and commercial development as well as the construction of improvements within such developments. Continued demand for single family residential 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 of the urban center toward which the marketing of lots is directed. Decreased levels of residential or commercial construction activity would tend to restrict the growth of property values in the Sendero Springs and Cornerstone Defined Area or could adversely impact existing values.

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. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Sendero Springs and Cornerstone Defined Area. 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 Sendero Springs and Cornerstone Defined Area.

Although located approximately 19 miles from the central downtown business district of the City of Austin, and approximately 3-4 miles from the City of Round Rock the success of development within the Sendero Springs and Cornerstone Defined Area and growth of Sendero Springs and Cornerstone Defined Area taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics. The Austin Metropolitan Area is generally recognized as the location for many computer manufacturing and related companies. The national media has recently reported a downturn in the U.S. economy and job layoffs, including particularly layoffs in the computer manufacturing industry, some of which layoffs have occurred in the Austin Metropolitan Area. As a result of the general economic slowdown, including particularly in the computer manufacturing industry, demand for homes in the Austin Metropolitan Area, including the Sendero Springs and Cornerstone Defined Area, may be adversely affected.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2014 Assessed Valuation of property within the Defined Area (see "SELECTED FINANCIAL INFORMATION") is \$264,174,702. After issuance of the Bonds, the maximum annual debt service requirement will be \$950,903 (2032) and the average annual debt service requirement will be \$802,816 (2015 through 2039 inclusive). Assuming no increase or decrease from the 2014 Assessed Valuation or Estimate of Value as of January 1, 2015, a tax rate of \$0.38 and \$0.32, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$950,903 and a tax rate

of \$0.32 or \$0.27 , respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$802,816 (see “DEFINED AREA DEBT – Sendero Springs and Cornerstone Defined Area Debt Service Requirements”). The District levied a tax rate in 2014, in the Defined Area, for debt service purposes of \$0.35 per \$100 of assessed valuation.

Tax Collections and Foreclosure Remedies

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

Registered Owners’ Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes within the Sendero Springs and Cornerstone Defined Area each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the Sendero Springs and Cornerstone Defined Area property. Further, the Registered Owners cannot themselves foreclose on property within the Sendero Springs and Cornerstone Defined Area or sell property within the Sendero Springs and Cornerstone Defined Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See “THE BONDS – Remedies in Event of Default.”

Bankruptcy Limitation to Registered Owners’ Right

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners’ remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy

court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Bond Insurance

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The District has not made an independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Future Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, for refunding purposes and as necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created, with the approval of the TCEQ. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$36,750,000 for refunding purposes and \$24,500,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$36,435,000 for refunding purposes and \$10,715,000 in authorized but unissued bonds to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. All of the remaining bonds which have heretofore been authorized by the

voters of the Sendero Springs and Cornerstone Defined Area may be issued by the District, with the approval of the TCEQ. If the Sendero Springs and Cornerstone Defined Area does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

Environmental Regulation

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

- I. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- II. Restricting the manner in which wastes are released into the air, water, or soils;
- III. Restricting or regulating the use of wetlands or other property;
- IV. Requiring remedial action to prevent or mitigate pollution;
- V. 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 the 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 injunctive relief 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 the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

- Air Quality Issues -

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

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

- Water Supply & Discharge Issues -

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than twenty-five (25) or fifteen (15) connections for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operations of the District's sewer facilities will be subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued 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 the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual result could differ materially from those in such forward-looking statements.

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

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 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 Defined Area. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B - FORM OF OPINION OF BOND COUNSEL."

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 Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the 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 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (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 the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should

consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is 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, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

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.

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District has NOT designated the Bonds as "qualified tax-exempt obligations."

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the maturing principal amounts of and interest on the Escrowed Obligations to be held by the Escrow Agent and certain available funds (if any) to pay, when due, the principal or redemption price of and interest on the Refunded Bonds and (b) the computation of the yields on the

Bonds and the Escrowed Obligations. The computations were independently verified by Grant Thornton LLP, based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. Grant Thornton LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature is pending against or, to the 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 the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEFINED AREA DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (AUDITED FINANCIAL STATEMENTS OF THE DISTRICT) if audited financial statements are then available. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2015. The District will provide the updated information via EMMA.

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 twelve months after any such fiscal year end, then the District shall file unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by 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.

Certain 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 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 EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement

described above under "Annual Reports" an explanation, in narrative form, of the 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 will agree in the Bond Order to provide certain periodic information and notices of certain events in accordance with SEC Rule 15c2-12. The Underwriter's obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or their agent of a certified copy of the Bond Order containing the provisions described under such heading.

The District became obligated in 1994 to make annual disclosure of certain financial information. The District, due to an administrative oversight, inadvertently failed to file the report on a timely basis for fiscal year 2010, which was due by March 30, 2011. However, the District filed the required information on April 13, 2011 and has since instituted procedures to ensure timely filing of all required updated financial information in the future. The District has made all required filings and has established procedures to assure future compliance in a timely manner. Except as noted above, the District is in compliance with all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the Developers, the District, and from other sources believed to be reliable. No representation is made as the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related documents are included herein subject to the detailed 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.

Experts

In approving this Official Statement, the District has relied upon the following experts:

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

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

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Underwriter 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 Underwriter a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Underwriter. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Underwriter (the "end of the underwriting period" within the meaning of the Rule), unless the Underwriter provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement

will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Underwriter provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Underwriter agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Underwriter at closing, unless extended by the Underwriter. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Underwriter.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

Rebecca Tullos
President, Board of Directors
Brushy Creek Municipal Utility District

ATTEST:

Kim Filiatrault
Secretary, Board of Directors
Brushy Creek Municipal Utility District

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

The information contained in this appendix has been excerpted from the audited financial statements of Brushy Creek Municipal Utility District for the fiscal year ended September 30, 2014. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

The Bonds are limited obligations of the District payable solely from an unlimited ad valorem tax levied on all taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The District provides water services and collects revenues, fees and taxes throughout its service territory and boundaries which includes areas outside of the Sendero Springs and Cornerstone Defined Area. As a result, the District's audited financial statement includes revenues, fees and taxes which are not pledged to the payment of the Bonds. The District's audited financial statements are provided for purposes of compliance with Rule 15c2-12 of the Federal Securities Exchange Act of 1934. Therefore, the District cautions that the financial information set forth herein unrelated to the Sendero Springs and Cornerstone Defined Area should not be construed or interpreted as available or pledged to the payment of the Bonds.

**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2014 and
Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, _____
(Name of Duly Authorized District Representative)

of the _____
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2014 and that copies of the annual audit report have been filed in the District office, located at 16318 Great Oaks Drive, Round Rock, Texas 78681.

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

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

Rebecca B. Tullos, Board President
(Typed Name and Title of above District Representative)

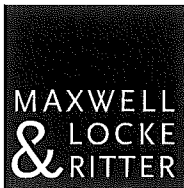
Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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



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
Brushy Creek Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Brushy Creek Municipal Utility District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality supplemental information and other 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.

The Texas Commission on Environmental Quality supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 Texas Commission on Environmental Quality 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.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Maxwell Locke + Ritter LLP

Austin, Texas
January 15, 2015

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis Year Ended September 30, 2014

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2014. 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 to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$18,521,704 (*net position*). Of this amount, \$14,486,607 (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The District's net property tax values increased by approximately \$85 million or 7.1% from \$1,193,911,500 to \$1,278,996,832. The District-wide and Defined Area tax rates remained the same as prior year at \$0.50 and \$0.36, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$527,000.

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 Position 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 Position 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 position will indicate financial health.

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

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

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position 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 and other supplemental information are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

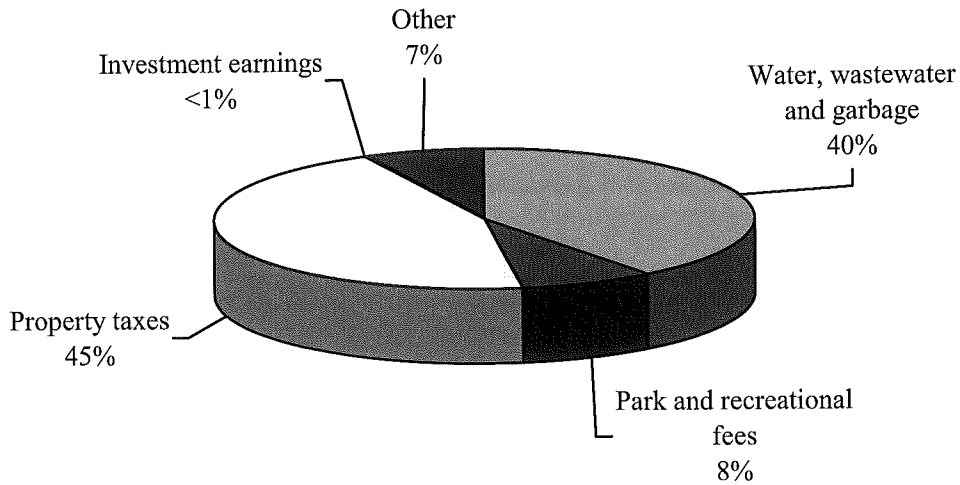
Statement of Net Position

	Governmental Activities		
	2014	2013	% Change
Current and other assets	\$ 22,761,794	\$ 22,334,585	1.9%
Capital assets	45,510,805	46,291,019	(1.7%)
Total assets	\$ 68,272,599	\$ 68,625,604	(0.5%)
Deferred outflows of resources	\$ -	473,691	(100.0%)
Current liabilities	\$ 5,249,113	\$ 5,047,861	4.0%
Long-term liabilities	44,501,782	47,956,247	(7.2%)
Total liabilities	\$ 49,750,895	\$ 53,004,108	(6.1%)
Net investments in capital assets	\$ (624,308)	\$ (3,028,194)	79.4%
Restricted	4,659,405	5,482,131	(15.0%)
Unrestricted	14,486,607	13,641,250	6.2%
Total net position	\$ 18,521,704	\$ 16,095,187	15.1%

The District's total assets were approximately \$68.3 million as of September 30, 2014. Of this amount, approximately \$45.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$49.8 million of which approximately \$44.5 million represent bonds and capital lease payable.

The District's property tax assessed value in fiscal year 2014 (which was based on the 2013 tax levy) was approximately \$1,279 million compared to approximately \$1,194 million in fiscal year 2013. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District's main revenue sources are utility services, property taxes, and recreational fees.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2014	2013	% Change
Water, wastewater and garbage	\$ 6,232,542	\$ 6,391,702	(2.5%)
Property taxes	7,141,820	6,615,089	8.0%
Parks and recreational fees	1,222,387	1,333,474	(8.3%)
Investment earnings	47,192	101,647	(53.6%)
Contributed capital assets	-	1,952,945	(100.0%)
Other	1,117,813	1,339,162	(16.5%)
Total revenues	15,761,754	17,734,019	(11.1%)
Water, wastewater and garbage	2,496,818	2,600,850	(4.0%)
Salary and related expenditures	3,068,389	2,955,637	3.8%
Administrative	1,030,381	1,212,155	(15.0%)
Repairs and maintenance	656,193	722,269	(9.1%)
Utilities	589,144	606,394	(2.8%)
Professional fees	332,304	352,583	(5.8%)
Contracted services	383,313	365,273	4.9%
Other	349,300	364,808	(4.3%)
Debt service	2,191,267	2,744,505	(20.2%)
Depreciation	2,183,019	3,040,679	(28.2%)
Total expenses	13,280,128	14,965,153	(11.3%)
Loss on disposal of capital assets	(55,109)	-	(100.0%)
Change in net position	2,426,517	2,768,866	(12.4%)
Beginning net position	16,095,187	13,326,321	20.8%
Ending net position	\$ 18,521,704	\$ 16,095,187	15.1%

Operating revenues decreased by approximately \$2.0 million to approximately \$15.8 million for the fiscal year ended September 30, 2014. Water, wastewater and garbage service provided approximately \$6.2 million, and property taxes, including penalties and interest, generated approximately \$7.1 million in revenues. The primary decrease in revenues is due to a decrease in contributed capital assets from the developer in the previous year. Total expenses decreased approximately \$1.7 million to approximately \$13.3 million for the fiscal year ended September 30, 2014. Net position increased approximately \$2.4 million for the fiscal year ended September 30, 2014 compared to an increase of approximately \$2.8 million for the fiscal year ended September 30, 2013.

Analysis of Governmental Funds

	2014	2013
Cash and cash equivalents	\$ 4,456,351	\$ 6,556,065
Investments	17,429,301	14,817,582
Receivables	844,901	953,303
Interfund receivable	108,487	552,104
Prepays and other assets	31,241	7,635
Total assets	\$ 22,870,281	\$ 22,886,689
Accounts payable	\$ 389,874	\$ 445,270
Refundable deposits	621,306	601,250
Other liabilities	133,531	137,610
Interfund payable	108,487	552,104
Unearned revenue	106,356	561
Total liabilities	1,359,554	1,736,795
Deferred inflows of resources - property taxes	36,383	33,235
Nonspendable fund balance	30,581	7,635
Restricted fund balance	7,969,364	8,331,990
Committed fund balance	4,282,084	4,222,655
Unassigned fund balance	9,192,315	8,554,379
Total fund balances	21,474,344	21,116,659
Total liabilities, deferred inflows of resources and fund balances	\$ 22,870,281	\$ 22,886,689

The *General Fund* pays for daily operating expenditures. Fiscal year 2014 revenues exceeded the budget by 3%. The increase in revenues was across the board and seen in utilities, recreation, fees, and services. Growth in recreation revenue was driven by increased participation in outdoor leagues, contract programs and rentals. Waste water revenue was the source of utility revenues exceeding the budget. This was due to higher water consumption during the winter averaging months than was expected.

Fiscal year 2014 expenditures were under budget by 5%. This was due to several projects not being completed during the budget year including park lighting (\$350,000), trail repairs (\$125,000), and intake pond cleaning at the water facility (\$150,000). Funding for these projects was set aside in reserves and the projects have begun in fiscal year 2015.

For the year ended September 30, 2014, the District came in ahead of budget for the General Fund by approximately \$852,000. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

In addition to the General Fund commitments noted above, the Board of Directors has approved a resolution to set aside \$5,181,628 for a 6-month Operating Reserve and \$1,941,880 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The *Debt Service Fund* includes property taxes collected to retire bond principal and to pay interest due.

The *Capital Projects Fund* primarily purchases the District's infrastructure.

Capital Assets

	2014	2013
Land	\$ 3,366,372	\$ 3,363,452
Construction in process	783,085	638,665
Water, wastewater, and drainage systems	78,843,836	78,813,981
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,284,292	4,284,292
Furniture and equipment	418,660	953,699
Park and recreational facilities	6,115,833	5,137,565
Automobiles and trucks	252,650	290,223
Subtotal	94,966,619	94,383,768
Accumulated depreciation	(49,455,814)	(48,092,749)
Total	\$ 45,510,805	\$ 46,291,019

The increase in park and recreational facilities is primarily due to the District completing the Shirley McDonald Park improvement project at a total cost of approximately \$652,000 and the trail extension project which had a total cost of approximately \$166,000.

Management made a decision this year to write off some assets which are fully depreciated. As a result, furniture and equipment and automobiles and trucks decreased approximately \$577,000.

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

Long-Term Debt Activity

	2014	2013
District-wide:		
Series 2002 Revenue Bonds	\$ 370,000	\$ 445,000
Series 2005 Bonds	1,265,000	1,365,000
Series 2007 Bonds	650,000	680,000
Series 2009 Refunding Bonds	3,955,000	5,485,000
Series 2010 Refunding Bonds	13,260,000	14,280,000
Series 2011 Refunding Bonds	2,070,000	2,075,000
Series 2012 Refunding	9,070,000	9,240,000
Series 2013 Refunding	6,070,000	6,080,000
Capital leases payable	4,934	15,665
Total District-wide	36,714,934	39,665,665
Defined Area:		
Series 2008 Bonds	1,695,000	1,755,000
Series 2009 Bonds	2,165,000	2,220,000
Series 2011 Bonds	2,235,000	2,305,000
Series 2013 Bonds	3,420,000	3,500,000
Total Defined Area	9,515,000	9,780,000
Total	\$ 46,229,934	\$ 49,445,665

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

District-wide:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,065,000	1,292,407	4,357,407
2016	2,295,000	1,180,290	3,475,290
2017	2,165,000	1,098,683	3,263,683
2018	2,240,000	1,023,566	3,263,566
2019	2,245,000	945,187	3,190,187
2020-2024	12,585,000	3,437,107	16,022,107
2025-2028	12,115,000	1,053,889	13,168,889
Total	\$ 36,710,000	10,031,129	46,741,129

Defined Area:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 270,000	455,013	725,013
2016	285,000	443,725	728,725
2017	300,000	432,493	732,493
2018	320,000	420,713	740,713
2019	330,000	407,513	737,513
2020-2024	1,930,000	1,811,963	3,741,963
2025-2029	2,500,000	1,307,762	3,807,762
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	\$ 9,515,000	5,984,503	15,499,503

The District owes approximately \$46.2 million to bond holders. Overall, the principal balance of outstanding bonds and capital leases payable decreased approximately \$3.2 million during the year. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The District-wide 2014 tax rate has been set at \$0.48 per \$100 of assessed valuation. The Sendero Springs/Cornerstone Defined Area has set a 2014 tax rate of \$0.35 per \$100 of assessed valuation. The adopted budget for 2015 projects the General Fund fund balance will remain the same.

The planning and design for a number of other large projects occurred during fiscal year 2014. These projects are also set to start in fiscal year 2015. This includes an expansion of the Community Center which will be funded by a combination of reserves and revenue bonds, water line replacements in Brushy Creek North to be funded by reserves, and a new pavilion in Cat Hollow Park to be funded by current year revenues.

Construction of homes in the last residential development in the District will start in January 2015. As the District reaches residential build out, the last remaining commercial properties are also being developed in the RR 620 and FM 1431 corridors. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

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 16318 Great Oaks Drive, Round Rock, Texas 78681.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS						
Cash and cash equivalents	\$ 4,169,967	284,382	2,002	4,456,351	-	4,456,351
Investments	10,572,976	5,029,646	1,721,142	17,323,764	-	17,323,764
Receivables:						
Service accounts, net	805,461	-	-	805,461	-	805,461
Taxes	16,227	20,156	-	36,383	-	36,383
Other	3,057	-	-	3,057	-	3,057
Due from other funds	91,946	16,541	-	108,487	(108,487)	-
Other assets	660	-	-	660	-	660
Prepaid items	26,359	3,968	254	30,581	-	30,581
Investments held for customer deposits	105,537	-	-	105,537	-	105,537
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	3,366,372	3,366,372
Construction in process	-	-	-	-	783,085	783,085
Easements and rights-of-way	-	-	-	-	662,037	662,037
Water, wastewater and drainage systems	-	-	-	-	34,497,922	34,497,922
Building and improvements	-	-	-	-	2,585,775	2,585,775
Furniture and equipment	-	-	-	-	144,412	144,412
Park and recreational facilities	-	-	-	-	3,357,417	3,357,417
Automobiles and trucks	-	-	-	-	113,785	113,785
Total assets	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>	<u>45,402,318</u>	<u>68,272,599</u>
LIABILITIES						
Accounts payable	\$ 382,681	7,193	-	389,874	-	389,874
Customer deposits	621,306	-	-	621,306	-	621,306
Other liabilities	133,531	-	-	133,531	-	133,531
Due to other funds	-	91,946	16,541	108,487	(108,487)	-
Accrued bond interest payable	-	-	-	-	592,181	592,181
Unearned revenue	106,356	-	-	106,356	-	106,356
Accrued vacation leave	-	-	-	-	65,931	65,931
Long-term liabilities:						
Due within one year	-	-	-	-	3,339,934	3,339,934
Due after one year	-	-	-	-	44,501,782	44,501,782
Total liabilities	<u>1,243,874</u>	<u>99,139</u>	<u>16,541</u>	<u>1,359,554</u>	<u>48,391,341</u>	<u>49,750,895</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	16,227	20,156	-	36,383	(36,383)	-
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable-						
Prepaid items	26,359	3,968	254	30,581	(30,581)	-
Restricted for:						
Debt service	-	5,231,430	-	5,231,430	(5,231,430)	-
Capital projects	-	-	1,706,603	1,706,603	(1,706,603)	-
Parks capital fees	921,331	-	-	921,331	(921,331)	-
Texas Water Development Board Reserve	110,000	-	-	110,000	(110,000)	-
Committed for repair and replacement of capital assets	4,282,084	-	-	4,282,084	(4,282,084)	-
Unassigned	9,192,315	-	-	9,192,315	(9,192,315)	-
Total fund balances	<u>14,532,089</u>	<u>5,235,398</u>	<u>1,706,857</u>	<u>21,474,344</u>	<u>(21,474,344)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>		
Net position:						
Net investments in capital assets					(624,308)	(624,308)
Restricted for debt service					4,659,405	4,659,405
Unrestricted					14,486,607	14,486,607
Total net position					<u>\$ 18,521,704</u>	<u>18,521,704</u>

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Personnel (including benefits)	\$ 3,059,569	-	-	3,059,569	8,820	3,068,389
Water and wastewater purchases	1,443,292	-	-	1,443,292	-	1,443,292
Garbage fees	1,053,526	-	-	1,053,526	-	1,053,526
Administrative	1,030,381	-	-	1,030,381	-	1,030,381
Repairs and maintenance	656,193	-	-	656,193	-	656,193
Utilities	589,144	-	-	589,144	-	589,144
Contracted services	383,313	-	-	383,313	-	383,313
Other consulting	203,208	-	-	203,208	-	203,208
Engineering fees	106,561	-	-	106,561	-	106,561
Legal fees	103,962	-	-	103,962	-	103,962
Security fees	82,781	-	-	82,781	-	82,781
Insurance	54,704	-	-	54,704	-	54,704
Tax appraisal/collection fees	-	56,691	-	56,691	-	56,691
Audit fees	39,000	-	-	39,000	-	39,000
Directors' fees	28,639	-	-	28,639	-	28,639
Other	5,965	44	49	6,058	-	6,058
Capital outlay	1,457,914	-	-	1,457,914	(1,457,914)	-
Debt service:						
Principal payments	85,731	3,130,000	-	3,215,731	(3,215,731)	-
Interest and fiscal charges	25,080	1,798,849	-	1,823,929	361,013	2,184,942
Bond issuance costs	-	6,325	-	6,325	-	6,325
Depreciation	-	-	-	-	2,183,019	2,183,019
Total expenditures/expenses	10,408,963	4,991,909	49	15,400,921	(2,120,793)	13,280,128
REVENUES:						
Program revenues:						
Water and wastewater service	5,077,406	-	-	5,077,406	-	5,077,406
Garbage collection	1,155,136	-	-	1,155,136	-	1,155,136
Inspection fees	120,202	-	-	120,202	-	120,202
Tap and other connection fees	175,272	-	-	175,272	-	175,272
Recreation center	1,075,802	-	-	1,075,802	-	1,075,802
Park and recreation fees	146,585	-	-	146,585	-	146,585
Capital recovery fees	-	-	590,990	590,990	-	590,990
Total program revenues	7,750,403	-	590,990	8,341,393	-	8,341,393
Net program expense						(4,938,735)
General revenues:						
Property taxes, including penalties and interest	3,203,128	3,935,544	-	7,138,672	3,148	7,141,820
Investment earnings	26,043	16,307	4,842	47,192	-	47,192
Other	231,349	-	-	231,349	-	231,349
Total general revenues	3,460,520	3,951,851	4,842	7,417,213	3,148	7,420,361
Total revenues	11,210,923	3,951,851	595,832	15,758,606	3,148	15,761,754
OTHER FINANCING SOURCES (USES):						
Transfers in (out)	49,998	218,492	(268,490)	-	-	-
Loss on disposal of capital assets	-	-	-	-	(55,109)	(55,109)
Total other financing sources (uses)	49,998	218,492	(268,490)	-	(55,109)	(55,109)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES						
	851,958	(821,566)	327,293	357,685	(357,685)	-
Change in net position	-	-	-	-	2,068,832	2,426,517
FUND BALANCES/NET POSITION:						
Beginning of year	13,680,131	6,056,964	1,379,564	21,116,659	(5,021,472)	16,095,187
End of year	\$ 14,532,089	5,235,398	1,706,857	21,474,344	(2,952,640)	18,521,704

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Water, wastewater and garbage services	\$ 6,117,722	6,126,222	6,232,542	106,320
Property taxes, including penalties and interest	3,157,904	3,157,904	3,203,128	45,224
Recreation center	1,059,990	1,080,590	1,075,802	(4,788)
Park and recreation fees	136,100	141,100	146,585	5,485
Tap connection/inspection fees	184,528	184,528	295,474	110,946
Investment earnings	44,331	44,331	26,043	(18,288)
Other	134,800	134,800	231,349	96,549
Total revenues	<u>10,835,375</u>	<u>10,869,475</u>	<u>11,210,923</u>	<u>341,448</u>
EXPENDITURES:				
Service operations:				
Personnel (including benefits)	3,215,077	3,229,077	3,059,569	169,508
Water and wastewater purchases	1,387,595	1,387,595	1,443,292	(55,697)
Garbage fees	1,010,500	1,018,500	1,053,526	(35,026)
Administrative	1,752,185	1,655,753	1,030,381	625,372
Repairs and maintenance	836,880	710,084	656,193	53,891
Utilities	593,050	591,630	589,144	2,486
Contracted services	732,378	521,183	383,313	137,870
Other consulting	42,200	41,700	203,208	(161,508)
Engineering fees	98,000	98,000	106,561	(8,561)
Legal fees	150,000	150,000	103,962	46,038
Security fees	85,000	85,000	82,781	2,219
Insurance	60,250	60,250	54,704	5,546
Tax appraisal/collection fees	1,000	1,000	-	1,000
Audit fees	40,000	40,000	39,000	1,000
Directors' fees	-	-	28,639	(28,639)
Other	6,500	6,500	5,965	535
Capital outlay	987,800	1,286,243	1,457,914	(171,671)
Debt service:				
Principal payments	75,000	75,000	85,731	(10,731)
Interest and fiscal charges	24,063	24,063	25,080	(1,017)
Total expenditures	<u>11,097,478</u>	<u>10,981,578</u>	<u>10,408,963</u>	<u>572,615</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(262,103)	(112,103)	801,960	914,063
OTHER FINANCING SOURCES (USES):				
Transfers in	1,482,076	1,482,076	49,998	(1,432,078)
Transfers out	(1,219,973)	(1,369,973)	-	1,369,973
Total other financing sources, net	<u>262,103</u>	<u>112,103</u>	<u>49,998</u>	<u>(62,105)</u>
Change in fund balance	-	-	851,958	851,958
FUND BALANCES:				
Beginning of year	<u>13,680,131</u>	<u>13,680,131</u>	<u>13,680,131</u>	-
End of year	<u>\$ 13,680,131</u>	<u>13,680,131</u>	<u>14,532,089</u>	<u>851,958</u>

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Municipal Utility District (the "District"), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

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

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 position and the statement of activities.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and cash equivalents - The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. Allowance for uncollectible accounts as of September 30, 2014 was \$111,041.

Capital Assets - Capital assets, which include land, easements and rights-of-way, infrastructure (water, wastewater and drainage systems purchased, constructed or donated), construction in process, buildings and improvements, park and recreational facilities, automobiles and trucks, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in process) are depreciated using the straight line method over the following estimated useful lives: easements and rights-of-way - forty years, buildings and improvements - ten to forty years, water, wastewater and drainage systems - seven to fifty years, park and recreational facilities - ten to twenty-two years, furniture and equipment - six to ten years, automobiles and trucks - five years.

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

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

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

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 12 and 16 hours per month depending on length of employment. District policy allows for a maximum carry-over from the previous fiscal year. The full amount of accrued paid time off, subject to the maximum accrual limits, is paid upon discontinuance of employment with the District. The District's liability for accrued paid time off at September 30, 2014 was \$65,931.

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

Fund Balance - 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 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes 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 recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is still evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended September 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended September 30, 2015.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 21,474,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	45,510,805
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	36,383
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued vacation payable	(65,931)
Bonds payable, including premiums	(47,836,782)
Bond interest payable	(592,181)
Capital lease payable	(4,934)
	<hr/>
Total net position	<u>\$ 18,521,704</u>

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

Excess of revenues and other financing sources over expenditures	\$ 357,685
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	1,457,914
Depreciation	(2,183,019)
Loss on disposal of capital assets	(55,109)
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	3,148
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	3,205,000
Capital lease proceeds provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net position. Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease principal	10,731
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 accrued vacation	(8,820)
Amortization of bond premium	114,769
Amortization of deferred charges on refunding	(473,691)
Change in bond interest payable	(2,091)
Change in net position	<u>\$ 2,426,517</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2014, the District's cash balance deposited in banks totaled \$4,456,351 and 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.

Investments held at September 30, 2014 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pools:			
TexPool	\$ 3,307,483	1	AAAm
LOGIC	1,864,102	1	AAA
Municipal bonds - Frost Bank	3,625,451	176	Various
US agencies	1,003,530	355	AA+
Certificates of deposit	7,628,735	245	Various
Total	<u>\$ 17,429,301</u>		

At September 30, 2014, the District had investments in two external local governmental investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC"), municipal bonds, US agencies coupon securities and certificates of deposit.

Although TexPool and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pools' shares.

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

LOGIC 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 LOGIC. LOGIC also has a six member governing board to advise on LOGIC's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with LOGIC. First Southwest Asset Management, Inc. and JPMorgan Chase manage daily operations of LOGIC under contract with the Comptroller and are the investment managers for the pool. LOGIC's investment policy states that it must invest in accordance with the Public Funds Investment Act.

The investments held for customer deposits in the General Fund consist of deposits received from customers to initiate water services with the District. These deposits are to be refunded to customers upon termination of water service with the District and, therefore, are also included as liabilities by the District.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2014, investments were included in local governmental investment pools, municipal bonds, US agencies coupon securities and certificates of deposit with ratings from Standard and Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pools 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. Certificates of deposit, US agencies coupon securities and municipal bonds held by the District have set interest rates.

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, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 91,946
Debt Service	Capital Projects	16,541
		\$ 108,487

During the year, the Capital Fund transferred \$49,998 to the General Fund to pay for capital costs associated with the regional wastewater contract and transferred \$218,492 to the Debt Service Fund to pay toward the debt associated with the long term water project.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Retirements and Transfers	Balance September 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,363,452	2,920	-	3,366,372
Construction in process	638,665	783,085	(638,665)	783,085
Total capital assets, not being depreciated	<u>4,002,117</u>	<u>786,005</u>	<u>(638,665)</u>	<u>4,149,457</u>
Capital assets, being depreciated:				
Water, wastewater and drainage systems	78,813,981	305,403	(275,548)	78,843,836
Easements and rights-of-way	901,891	-	-	901,891
Buildings and improvements	4,284,292	-	-	4,284,292
Furniture and equipment	953,699	-	(535,039)	418,660
Park and recreational facilities	5,137,565	339,603	638,665	6,115,833
Automobiles and trucks	290,223	26,903	(64,476)	252,650
Total capital assets, being depreciated	<u>90,381,651</u>	<u>671,909</u>	<u>(236,398)</u>	<u>90,817,162</u>
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(42,928,445)	(1,637,907)	220,438	(44,345,914)
Easements and rights-of-way	(217,306)	(22,548)	-	(239,854)
Buildings and improvements	(1,531,528)	(166,989)	-	(1,698,517)
Furniture and equipment	(761,200)	(48,087)	535,039	(274,248)
Park and recreational facilities	(2,488,020)	(270,396)	-	(2,758,416)
Automobiles and trucks	(166,250)	(37,092)	64,477	(138,865)
Total accumulated depreciation	<u>(48,092,749)</u>	<u>(2,183,019)</u>	<u>819,954</u>	<u>(49,455,814)</u>
Total capital assets, being depreciated, net	<u>42,288,902</u>	<u>(1,511,110)</u>	<u>583,556</u>	<u>41,361,348</u>
Capital assets, net	<u>\$ 46,291,019</u>	<u>(725,105)</u>	<u>(55,109)</u>	<u>45,510,805</u>

6. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	\$ 473,691	-	(473,691)	-

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Bonds payable	\$ 49,430,000	-	(3,205,000)	46,225,000
Premiums on refundings	1,726,551	-	(114,769)	1,611,782
Capital lease payable	15,665	-	(10,731)	4,934
Total	\$ 51,172,216	-	(3,330,500)	47,841,716

Bonds payable at September 30, 2014, is comprised of the following:

	Balance 9/30/2014	Due Within One Year
\$1,500,000, Series 2002, revenue bonds due in annual installments of \$20,000 to \$95,000 through June 1, 2019. Interest varies from 2.50% to 5.90% and is payable June 1 and December 1 each year.	\$ 370,000	80,000
\$9,500,000, Series 2005, serial bonds due in annual installments of \$100,000 to \$595,000 through June 1, 2020. Interest varies from 3.00% to 5.00% and is payable June 1 and December 1 each year.	1,265,000	100,000
\$7,840,000, Series 2007, refunding bonds due in annual installments of \$30,000 to \$325,000 through June 1, 2016. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	650,000	325,000
\$2,020,000, Series 2008, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$60,000 to \$145,000 through June 1, 2031. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	1,695,000	65,000

\$2,365,000, Series 2009, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$55,000 to \$195,000 through June 1, 2033. Interest varies from 4.38% to 6.00% and is payable June 1 and December 1 each year.	2,165,000	60,000
\$7,975,000, Series 2009, refunding bonds due in annual installments of \$195,000 to \$1,530,000 through June 1, 2024. Interest varies from 3.00% to 4.63% and is payable June 1 and December 1 each year.	3,955,000	1,315,000
\$17,190,000, Series 2010, refunding bonds due in annual installments of \$255,000 to \$1,960,000 through June 1, 2026. Interest varies from 3.50% to 4.00% and is payable June 1 and December 1 each year.	13,260,000	1,050,000
\$2,370,000, Series 2011, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$65,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December 1 each year.	2,235,000	65,000
\$2,085,000, Series 2011, refunding bonds due in annual installments of \$5,000 to \$245,000 through June 1, 2028. Interest varies from 4.00% to 5.25% and is payable June 1 and December 1 each year.	2,070,000	5,000
\$9,260,000, Series 2012, refunding bonds due in annual installments of \$20,000 to \$1,600,000 through June 1, 2028. Interest varies from 2.00% to 3.00% and is payable June 1 and December 1 each year.	9,070,000	175,000
\$6,125,000, Series 2013, refunding bonds due in annual installments of \$10,000 to \$1,840,000 through June 1, 2028. Interest varies from 2.00% to 3.50% and is payable June 1 and December 1 each year.	6,070,000	15,000
\$3,500,000, Series 2013, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$230,000 through June 1, 2038. Interest varies from 2.50% to 5.00% and is payable June 1 and December 1 each year.	3,420,000	80,000
Total bonds payable	<u>\$ 46,225,000</u>	<u>3,335,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020-2024	14,515,000	5,249,070	19,764,070
2025-2029	14,615,000	2,361,651	16,976,651
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District except for the Series 2002 Revenue bonds.

Bond covenants for each outstanding issue require that the District maintain utility rates and property tax rates sufficient to operate and maintain the utility system and pay all indebtedness against the system. Covenants also require the District to maintain adequate insurance of the system. The District believes it is in compliance with all significant covenants contained in the debt agreements.

At September 30, 2014, unlimited tax bonds of \$16,345,000 were authorized by the District but unissued of which \$14,245,000 is for improvements to Defined Area water, wastewater and drainage systems and \$2,100,000 is for improvements to District-wide water systems.

The District has a capital lease payable for the purchase of exercise equipment. Principal and interest is due in thirty-six monthly installments of \$452 with an interest rate of 6% and matures in March 2015. The District's capital lease payable at September 30, 2014 was \$4,934. At September 30, 2014, the net carrying value of capital assets related to capital leases was \$18,010.

8. 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 Williamson County Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

The combined tax rate was \$0.5000 per \$100 assessed valuation District-wide, except for the Sendero Springs/Cornerstone Defined Area. The Sendero Springs/Cornerstone Defined Area had an additional tax rate of \$0.3600 per \$100 assessed valuation. The total 2013 tax levy was \$7,141,445 based on a District-wide taxable valuation of \$1,278,996,832.

9. AMOUNTS COLLECTED FOR CAPITAL IMPROVEMENTS

By an agreement dated March 29, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers to the District. The fee has been established by contract between the District and the developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled \$590,990 for the year ended September 30, 2014 and are within the Capital Projects Fund.

10. 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, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. 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 summary of the fund balances is included in the Governmental Funds Balance Sheet on page 12.

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 delegated authority to the General Manager 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.

The Board committed \$4,282,084 of General Fund fund balance to pay for future repairs, replacements and purchases of capital. The amounts committed for funding capital projects as of September 30, 2014 are:

Utility equipment replacement	\$ 37,149
Replacement of water facility membranes	1,000,000
Trail improvements	125,000
Community center equipment replacement	12,455
Park master plan projects	882,969
620 utility work	50,000
Utility improvements	883,602
BRA water line reserves	131,270
Regional waste water improvements	369,639
Sludge removal	150,000
Pepper rock park parking	140,000
Park lighting	500,000
Total committed fund balance	<u>\$ 4,282,084</u>

11. COMMITMENTS AND CONTINGENCIES

The District has entered into several utility development agreements with developers of property within the District. Under the terms of the agreements, a developer funds the cost of construction for water, wastewater and drainage facilities for a specified project which has been approved by the District. The District agrees to purchase the facilities at a price to be determined by the Texas Commission on Environmental Quality, but not to exceed the amount actually expended by the developer plus interest from the dates of expenditure to the date of payment by the District.

In August 1998, the Board authorized the District to enter into a contract with the Brazos River Authority (“BRA”) for participation in the Williamson County Raw Water Line Project. The project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown. The BRA expects to issue approximately \$40,000,000 of debt to finance construction of the project for which total debt service payments are anticipated to be approximately 10%, and the District’s average annual payment to cover its share of the debt service will be approximately \$210,000.

In October 2000, the Board authorized the District to enter into a contract with the BRA and the Lower Colorado River Authority (“LCRA”) for participation in the Sub Regional Wastewater Collection, Treatment and Disposal System. The LCRA utilized its reserved capacity in the system to receive wastewater from the District’s wastewater collection system. The cities of Round Rock, Cedar Park, and Austin purchased the wastewater system from the LCRA in December 2009. The District is a customer of the city of Round Rock. The BRA will operate and maintain the system in order to receive wastewater from the customers’ wastewater collection systems and to treat and dispose of such wastewater. The District will pay charges on the system, their annual estimates for sub-regional operation and maintenance expenses and the resulting estimates of sub-regional capital charges and sub-regional flow charges. The District’s average annual payment will be approximately \$1,100,000 over the next 30 years.

12. PENSION PLAN

The District provides retirement, disability, and death benefits for all of its non temporary full-time employees through a nontraditional defined benefit pension plan in statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 506 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 6.55% for 2014. The contribution rate payable by the District for calendar years 2013 and 2012 was 6.42% and 6.62%, respectively, as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Costs - For the District's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$138,450 and the actual contributions were \$138,450.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contribution rates for calendar years 2013, 2012 and 2011. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30 years	30 years	30 years
Asset valuation method	Ten year smoothed value and fund value	Ten year smoothed value and fund value	Five year smoothed value and fund value

Actuarial Assumptions:

Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend information for the retirement plan for the employees of the District:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2012	\$ 132,340	100%	-
September 30, 2013	133,826	100%	-
September 30, 2014	138,450	100%	-

The following is a schedule of funding progress for the retirement plan for the employees of the District for the three calendar years ended December 31, 2013:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (U/OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll* (c)</u>
December 31, 2011	\$ 1,910,617	1,793,874	(116,743)	106.51%	(6.12%)
December 31, 2012	2,246,736	2,188,381	(58,355)	102.67%	(2.88%)
December 31, 2013	2,611,316	2,455,479	(155,837)	106.35%	(7.46%)

*The annual covered payroll is based on the employer contributions paid to TCDRS for the year ending with the valuation date.

13. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2014

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2014

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 11 to basic financial statements.

(C) Pension Coverage

See Note 12 to basic financial statements.

(D) Pledge of Revenues

See Note 7 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 7 to basic financial statements.

(F) Redemption of Bonds

See Note 7 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2014

1. Services Provided by the District:

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |

Participates in joint venture, regional system and or wastewater service
(other than emergency interconnect)

- Other (specify): N/A

2. Retail Service Providers:

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
IN-DISTRICT WATER	\$ 14.00	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
OUT-OF-DISTRICT WATER	\$ 37.42	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
IN-DISTRICT WASTEWATER	\$ 6.00	-	N	\$ 2.70	Per 1,000
OUT-OF-DISTRICT WASTEWATER	\$ 12.00	-	N	\$ 10.80	Per 1,000
SURCHARGE	\$ None				

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage:

In-District:	Water: \$ <u>35.00 winter</u> \$ <u>41.50 summer</u>	Wastewater: \$ <u>33.00</u>
Out-of-District:	Water: \$ <u>58.42 winter</u> \$ <u>64.92 summer</u>	Wastewater: \$ <u>120.00</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
<=3/4"	5,514	5,498	x 1.0	5,498
1"	38	38	x 2.5	95
1 1/2"	27	27	x 5.0	135
2"	40	40	x 8.0	320
3"	12	12	x 15.0	180
4"	3	3	x 25.0	75
6"	2	2	x 50.0	100
8"	8	8	x 80.0	640
10"	-	-	x 115.0	-
Total Water	5,644	5,628		7,043
Total Wastewater	5,403	5,403	x 1.0	5,403

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

Gallons pumped into system:	<u>933,078,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>779,635,000</u>	(Gallons billed/Gallons pumped)
		<u>83.56% (1)</u>

(1) The water accountability ratio does not include fire hydrant flushing, water used in fire fighting, loss due to water leaks, or other un-metered loss to the system. The District tracks all of those non-billed sources and for FY 2014 the total known consumption was 795,579,000 gallons for an actual ratio of 85.26%.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

5. Location of District:

County(ies) in which District is located: Williamson

Is the District located entirely within one county? Yes No

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

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

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

ETJ's in which District is located: City of Round Rock

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

If yes, by whom? N/A

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2014

Personnel Expenditures (including benefits)	\$ 3,059,569
Professional Fees:	
Auditing	39,000
Legal	103,962
Engineering	106,561
Financial Advisor	-
Purchased Services For Resale-	
Bulk Water and Wastewater Service Purchases	1,443,292
Contracted Services:	
Bookkeeping	-
Utility Manager	-
Appraisal District/Tax Collector	-
Other Contracted Services	383,313
Utilities	589,144
Repairs and Maintenance	656,193
Administrative Expenditures:	
Directors' Fees	28,639
Office Supplies	22,858
Insurance	54,704
Other Administrative Expenses	833,902
Capital Outlay:	
Capitalized Assets	1,457,914
Expenditures not Capitalized	-
Tap Connection Expenditures	173,621
Solid Waste Disposal	1,053,526
Fire Fighting	-
Parks and Recreation	(a)
Other Expenditures	402,765
TOTAL EXPENDITURES	<u>\$ 10,408,963</u>

Number of persons employed by the District: 41 Full-Time 69 Part-Time
(Does not include independent contractors or consultants; however, does include seasonal staff)

(a) Parks and recreation costs are included within the various General Fund expenditures above.
For the year ended September 30, 2014, parks and recreation expenditures were \$3,119,334.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2014

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2014	Accrued Interest Receivable at September 30, 2014
General Fund					
Investment in LOGIC	742006801003	Variable	N/A	\$ 195,503	\$ -
Investment in LOGIC	742006801002	Variable	N/A	105,537	-
Investment in TexPool	2461600008	Variable	N/A	888,337	-
Investment in TexPool	2461600001	Variable	N/A	516,915	-
Certificate of deposit in Tx Security	10092	0.50%	10/21/2014	248,711	-
Certificate of deposit in East West Bank	01-72357047	0.40%	4/12/2015	2,013,797	-
Certificate of deposit in Texas Citizens Bank	8029282	0.50%	9/24/2015	246,227	-
Brokered certificate of deposit	063248EV6	0.35%	3/17/2015	245,000	-
Brokered certificate of deposit	05961SBJ2	0.30%	2/19/2015	245,000	-
Brokered certificate of deposit	3814J2Y7	0.40%	8/27/2015	245,000	-
Brokered certificate of deposit	139800BM7	0.30%	3/18/2015	245,000	-
Brokered certificate of deposit	30246ADH8	0.40%	9/25/2015	245,000	-
Brokered certificate of deposit	065680HG8	0.30%	2/12/2015	245,000	-
Brokered certificate of deposit	030590DT7	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	23204HBY	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	073296BG9	0.40%	8/31/2015	245,000	-
Brokered certificate of deposit	17417QAK9	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	75524KCW2	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	2546715W6	0.55%	9/10/2015	245,000	-
Brokered certificate of deposit	38147J4M1	0.40%	9/10/2015	245,000	-
Brokered certificate of deposit	534732AC6	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	71270QGL4	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	853117PA1	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	320844PA5	0.40%	3/10/2015	245,000	-
Brokered certificate of deposit	80280JBF7	0.40%	3/10/2015	245,000	-
Municipal Bonds	644682T55	2.00%	4/1/2015	760,298	-
Municipal Bonds	20772GD96	4.40%	3/15/2015	292,883	-
Municipal Bonds	46615MAD3	0.40%	10/1/2014	500,060	-
US Agencies	3134G56P5	0.50%	6/24/2016	500,245	-
Totals				10,678,513	-
Debt Service Fund					
Investment in LOGIC	2006801001	Variable	N/A	587,616	-
Investment in LOGIC	2006801013	Variable	N/A	498,525	-
Investment in TexPool	449/246160004	Variable	N/A	1,161,295	-
Brokered certificate of deposit	57116AHT8	0.45%	8/6/2015	245,000	-
Brokered certificate of deposit	33583CGE3	0.30%	3/13/2015	220,000	-
Brokered certificate of deposit	87164DFD7	0.45%	8/7/2015	245,000	-
Municipal Bonds	59259YA74	4.00%	11/15/2014	1,051,730	-
Municipal Bonds	235036SY7	2.19%	11/1/2015	1,020,480	-
Totals				5,029,646	-
Capital Projects Fund					
Investment in LOGIC	2006801009	Variable	N/A	476,462	-
Investment in LOGIC	2006801012	Variable	N/A	459	-
Investment in TexPool	449/246160007	Variable	N/A	740,936	-
US Agencies	3135G0FY4	0.750%	12/19/2014	503,285	-
Totals				1,721,142	-
TOTAL ALL FUNDS				\$ 17,429,301	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2014

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2013	\$ 14,009	\$ 19,226		
2013 Tax Roll	3,201,042	3,940,403		
Adjustments	(3,809)	(13,200)		
Total to be accounted for	<u>3,211,242</u>	<u>3,946,429</u>		
Tax collections:				
Current year	3,192,750	3,922,897		
Prior years	2,265	3,376		
Total collections	<u>3,195,015</u>	<u>3,926,273</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
TAXES RECEIVABLE, BY YEARS:				
2013	\$ 8,202	\$ 8,309		
2012	2,746	2,658		
2011	1,595	2,340		
2010	1,137	1,835		
2009 and prior	2,547	5,014		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS-				
Net assessed property valuation:				
District-wide	\$ 1,278,996,832	1,193,911,500	1,162,948,436	1,106,704,060
Defined Area	205,471,258	171,587,825	144,727,844	120,884,140
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.2500	0.2500	0.3000	0.3100
Maintenance tax rates	0.2500	0.2500	0.2000	0.1900
District-wide	0.5000	0.5000	0.5000	0.5000
Defined Area	0.3600	0.3600	0.3600	0.3600
ORIGINAL TAX LEVY	<u>\$ 7,141,445</u>	<u>6,611,512</u>	<u>6,391,741</u>	<u>6,070,576</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	REVENUE SERIES 2002			UNLIMITED TAX SERIES 2005			UNLIMITED TAX REFUNDING SERIES 2007		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 80,000	20,200	100,200	100,000	40,450	140,450	325,000	26,000	351,000
2016	85,000	16,000	101,000	-	34,950	34,950	325,000	13,000	338,000
2017	90,000	11,410	101,410	-	34,950	34,950	-	-	-
2018	95,000	6,460	101,460	-	34,950	34,950	-	-	-
2019	20,000	1,140	21,140	570,000	34,950	604,950	-	-	-
2020	-	-	-	595,000	17,850	612,850	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 370,000</u>	<u>55,210</u>	<u>425,210</u>	<u>1,265,000</u>	<u>198,100</u>	<u>1,463,100</u>	<u>650,000</u>	<u>39,000</u>	<u>689,000</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)

SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	DEFINED AREA UNLIMITED TAX SERIES 2008			ULIMITED TAX DEFINED AREA SERIES 2009			UNLIMITED TAX REFUNDING SERIES 2009		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 65,000	86,480	151,480	60,000	121,875	181,875	1,315,000	176,069	1,491,069
2016	70,000	82,580	152,580	65,000	119,250	184,250	505,000	116,894	621,894
2017	70,000	79,080	149,080	65,000	116,406	181,406	535,000	94,169	629,169
2018	75,000	75,580	150,580	70,000	113,563	183,563	195,000	70,094	265,094
2019	80,000	71,830	151,830	75,000	109,888	184,888	210,000	61,319	271,319
2020	85,000	67,830	152,830	80,000	105,950	185,950	215,000	51,869	266,869
2021	90,000	63,580	153,580	85,000	101,750	186,750	230,000	43,269	273,269
2022	90,000	59,080	149,080	95,000	97,288	192,288	240,000	33,781	273,781
2023	95,000	54,580	149,580	100,000	92,300	192,300	245,000	23,281	268,281
2024	100,000	49,830	149,830	105,000	86,300	191,300	265,000	12,256	277,256
2025	105,000	44,830	149,830	115,000	80,000	195,000	-	-	-
2026	110,000	39,580	149,580	120,000	73,100	193,100	-	-	-
2027	120,000	34,080	154,080	130,000	65,900	195,900	-	-	-
2028	125,000	28,080	153,080	140,000	58,100	198,100	-	-	-
2029	130,000	21,580	151,580	150,000	49,700	199,700	-	-	-
2030	140,000	14,820	154,820	160,000	40,700	200,700	-	-	-
2031	145,000	7,540	152,540	170,000	31,100	201,100	-	-	-
2032	-	-	-	185,000	20,900	205,900	-	-	-
2033	-	-	-	195,000	10,725	205,725	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 1,695,000</u>	<u>880,960</u>	<u>2,575,960</u>	<u>2,165,000</u>	<u>1,494,795</u>	<u>3,659,795</u>	<u>3,955,000</u>	<u>683,001</u>	<u>4,638,001</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)

SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2010			DEFINED AREA UNLIMITED TAX SERIES 2011			UNLIMITED TAX REFUNDING SERIES 2011		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 1,050,000	480,575	1,530,575	65,000	101,363	166,363	5,000	79,488	84,488
2016	1,085,000	454,325	1,539,325	65,000	98,600	163,600	5,000	79,296	84,296
2017	1,130,000	421,775	1,551,775	75,000	95,837	170,837	5,000	79,104	84,104
2018	1,170,000	387,875	1,557,875	80,000	92,650	172,650	10,000	78,912	88,912
2019	1,215,000	346,925	1,561,925	80,000	89,250	169,250	175,000	78,528	253,528
2020	1,270,000	304,400	1,574,400	85,000	85,850	170,850	175,000	71,808	246,808
2021	1,320,000	253,600	1,573,600	85,000	82,450	167,450	185,000	65,088	250,088
2022	1,375,000	200,800	1,575,800	90,000	79,050	169,050	190,000	57,984	247,984
2023	1,430,000	145,800	1,575,800	95,000	75,450	170,450	200,000	50,688	250,688
2024	-	88,600	88,600	100,000	71,650	171,650	205,000	43,008	248,008
2025	255,000	88,600	343,600	105,000	67,525	172,525	215,000	35,136	250,136
2026	1,960,000	78,400	2,038,400	110,000	63,194	173,194	225,000	26,880	251,880
2027	-	-	-	110,000	58,244	168,244	230,000	18,240	248,240
2028	-	-	-	115,000	53,294	168,294	245,000	9,408	254,408
2029	-	-	-	120,000	47,975	167,975	-	-	-
2030	-	-	-	125,000	42,425	167,425	-	-	-
2031	-	-	-	135,000	36,331	171,331	-	-	-
2032	-	-	-	290,000	29,750	319,750	-	-	-
2033	-	-	-	305,000	15,250	320,250	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 13,260,000</u>	<u>3,251,675</u>	<u>16,511,675</u>	<u>2,235,000</u>	<u>1,286,138</u>	<u>3,521,138</u>	<u>2,070,000</u>	<u>773,568</u>	<u>2,843,568</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)

SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2012			UNLIMITED TAX REFUNDING SERIES 2013			DEFINED AREA UNLIMITED TAX SERIES 2013		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 175,000	270,350	445,350	15,000	199,275	214,275	80,000	145,295	225,295
2016	275,000	266,850	541,850	15,000	198,975	213,975	85,000	143,295	228,295
2017	390,000	258,600	648,600	15,000	198,675	213,675	90,000	141,170	231,170
2018	755,000	246,900	1,001,900	15,000	198,375	213,375	95,000	138,920	233,920
2019	40,000	224,250	264,250	15,000	198,075	213,075	95,000	136,545	231,545
2020	45,000	223,050	268,050	15,000	197,775	212,775	100,000	134,170	234,170
2021	660,000	221,700	881,700	15,000	197,475	212,475	105,000	131,370	236,370
2022	685,000	201,900	886,900	15,000	197,025	212,025	110,000	128,220	238,220
2023	710,000	181,350	891,350	15,000	196,575	211,575	115,000	124,645	239,645
2024	1,600,000	160,050	1,760,050	685,000	196,125	881,125	120,000	120,620	240,620
2025	730,000	112,050	842,050	1,635,000	175,575	1,810,575	125,000	115,820	240,820
2026	750,000	90,150	840,150	-	126,525	126,525	135,000	110,820	245,820
2027	1,110,000	67,650	1,177,650	1,775,000	126,525	1,901,525	140,000	104,880	244,880
2028	1,145,000	34,350	1,179,350	1,840,000	64,400	1,904,400	145,000	98,720	243,720
2029	-	-	-	-	-	-	150,000	92,340	242,340
2030	-	-	-	-	-	-	160,000	85,140	245,140
2031	-	-	-	-	-	-	165,000	77,460	242,460
2032	-	-	-	-	-	-	175,000	69,540	244,540
2033	-	-	-	-	-	-	180,000	61,140	241,140
2034	-	-	-	-	-	-	190,000	52,500	242,500
2035	-	-	-	-	-	-	200,000	43,000	243,000
2036	-	-	-	-	-	-	210,000	33,000	243,000
2037	-	-	-	-	-	-	220,000	25,500	242,500
2038	-	-	-	-	-	-	230,000	11,500	241,500
	<u>\$ 9,070,000</u>	<u>2,559,200</u>	<u>11,629,200</u>	<u>6,070,000</u>	<u>2,471,375</u>	<u>8,541,375</u>	<u>3,420,000</u>	<u>2,322,610</u>	<u>5,742,610</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020	2,665,000	1,260,552	3,925,552
2021	2,775,000	1,160,282	3,935,282
2022	2,890,000	1,055,128	3,945,128
2023	3,005,000	944,669	3,949,669
2024	3,180,000	828,439	4,008,439
2025	3,285,000	719,536	4,004,536
2026	3,410,000	608,649	4,018,649
2027	3,615,000	475,519	4,090,519
2028	3,755,000	346,352	4,101,352
2029	550,000	211,595	761,595
2030	585,000	183,085	768,085
2031	615,000	152,431	767,431
2032	650,000	120,190	770,190
2033	680,000	87,115	767,115
2034	190,000	52,500	242,500
2035	200,000	43,000	243,000
2036	210,000	33,000	243,000
2037	220,000	22,500	242,500
2038	230,000	11,500	241,500
	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2014

	Revenue Series 2002	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008	Defined Area Unlimited Tax Series 2009	Refunding Series 2009	Refunding Series 2010	Defined Area Unlimited Tax Series 2011	Refunding Series 2011	Refunding Series 2012	Refunding Series 2013	Defined Area Unlimited Tax Series 2013
Interest rate	2.50 to 5.90%	3.00 to 5.00%	3.75 to 4.00%	3.75 to 4.00%	4.38 to 6.00%	3.00 to 4.63%	3.50 to 4.00%	4.00 to 5.00%	4.00 to 5.25%	2.00 to 3.00%	2.00 to 3.50%	2.50 to 5.00%
Dates interest payable	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/19	6/1/20	6/1/16	6/1/31	6/1/33	6/1/24	6/1/26	6/1/33	6/1/28	6/1/28	6/1/28	6/1/38
Bonds outstanding, beginning of year	\$ 445,000	1,365,000	680,000	1,755,000	2,220,000	5,485,000	14,280,000	2,305,000	2,075,000	9,240,000	6,080,000	3,500,000
Bonds issued during current year	-	-	-	-	-	-	-	-	-	-	-	-
Bonds retired during current year	(75,000)	(100,000)	(30,000)	(60,000)	(55,000)	(1,530,000)	(1,020,000)	(70,000)	(5,000)	(170,000)	(10,000)	(80,000)
Bonds outstanding, end of year	\$ 370,000	1,265,000	650,000	1,695,000	2,165,000	3,955,000	13,260,000	2,235,000	2,070,000	9,070,000	6,070,000	3,420,000
Interest paid during current year	\$ 24,063	45,950	27,125	90,080	124,350	244,919	506,075	104,338	79,680	273,750	199,475	110,471

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (continued)
SEPTEMBER 30, 2014**

	<u>Grand Totals</u>
Bonds outstanding, beginning of year	\$ 49,430,000
Bonds issued during current year	-
Bonds retired during current year	<u>(3,205,000)</u>
Bonds outstanding, end of year	<u>\$ 46,225,000</u>
Interest paid during current year	<u>\$ 1,830,276</u>

Paying agent's name & address:	Series 2005, 2007, 2008 2009, 2010, 2012 and 2013	Wells Fargo Bank Minneapolis, Minnesota 55479
	Series 2002	The Bank of New York Mellon Dallas, Texas 75201
	Series 2011	BB&T Governmental Finance Charlotte, North Carolina 28217

	<u>District Tax Bonds*</u>	<u>Defined Area Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond authority:				
Amount authorized	\$ 74,100,000	24,500,000	-	73,844,998
Amount issued	<u>72,000,000</u>	<u>10,255,000</u>	-	<u>73,844,998</u>
Remaining to be issued	<u>\$ 2,100,000</u>	<u>14,245,000</u>	-	<u>-</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investments balances
as of September 30, 2014: \$ 5,314,028

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 2,593,360

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2014

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 5,077,406	5,273,378	5,229,982	5,495,625	4,704,588	45.3 %	46.2	50.5	52.4	50.9
Garbage collection	1,155,136	1,118,324	1,088,081	1,050,938	953,173	10.3	9.8	10.5	10.0	10.3
Inspection fees	120,202	139,136	72,167	76,896	59,632	1.1	1.2	0.7	0.8	0.6
Tap and other connection fees	175,272	200,641	137,749	127,648	129,564	1.6	1.8	1.3	1.2	1.4
Recreation center	1,075,802	1,185,755	1,154,217	1,131,354	920,097	9.6	10.4	11.1	10.8	9.9
Park and recreation fees	146,585	147,719	143,523	127,724	104,377	1.3	1.3	1.4	1.2	1.1
Property taxes, including penalties and interest	3,203,128	2,992,389	2,352,012	2,142,470	2,143,391	28.6	26.2	22.7	20.4	23.2
Investment earnings	26,043	54,225	30,230	28,391	51,964	0.2	0.5	0.3	0.3	0.6
Other	231,349	312,922	155,295	255,778	168,068	2.0	2.6	1.5	2.4	1.8
Bond issuance proceeds	-	-	-	55,777	15,056	-	-	-	0.5	0.2
Total revenues and other sources	11,210,923	11,424,489	10,363,256	10,492,601	9,249,910	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	3,088,208	2,972,309	2,959,280	2,815,268	2,861,339	27.5	26.0	28.6	26.8	30.9
Purchased services for resale	2,496,818	2,600,850	2,360,386	2,310,474	2,472,603	22.3	22.8	22.8	22.0	26.7
Administrative	1,173,831	1,372,324	1,335,015	1,387,076	1,114,696	10.5	12.0	12.9	13.2	12.1
Repairs and maintenance	656,193	722,269	553,151	568,642	567,252	5.9	6.3	5.3	5.4	6.1
Utilities	589,144	606,394	590,411	774,449	678,359	5.3	5.3	5.7	7.4	7.3
Professional services	452,731	479,589	496,149	513,678	394,474	4.0	4.2	4.8	4.9	4.3
Contracted services	383,313	365,273	477,589	364,602	323,893	3.4	3.2	4.6	3.5	3.5
Capital outlay	1,457,914	1,172,031	238,811	167,835	329,110	13.0	10.3	2.3	1.6	3.6
Principal payments	85,731	80,728	92,175	65,000	65,000	0.7	0.7	0.8	0.6	0.7
Interest and fiscal charges	25,080	32,252	31,711	89,992	37,270	0.2	0.3	0.3	0.9	0.4
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,408,963	10,404,019	9,134,678	9,057,016	8,843,996	92.8	91.1	88.1	86.3	95.6
TRANSFERS IN (OUT)	49,998	115,218	(521,548)	236,960	192,730	0.4	1.0	(5.0)	2.3	2.1
PROCEEDS FROM CAPITAL LEASES	-	-	32,506	-	-	-	-	0.3	-	-
PROCEEDS FROM INSURANCE	-	-	368,867	-	-	-	-	3.6	-	-
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	2,400,779	-	-	-	-	26.0
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 851,958	1,135,688	1,108,403	1,672,545	2,999,423	7.6 %	9.9	10.7	16.0	32.4

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND (continued) FIVE YEARS ENDED SEPTEMBER 30, 2014

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
DEBT SERVICE FUND										
REVENUES:										
Property taxes, including penalties and interest	\$ 3,935,544	3,616,509	4,048,769	3,936,546	3,850,549	99.6 %	18.0	99.3	65.7	17.9
Investment earnings	16,307	46,129	27,127	29,177	41,364	0.4	0.2	0.7	0.5	0.2
Proceeds of refunding bonds	-	15,385,000	-	2,029,223	17,174,944	-	76.5	-	33.8	80.0
Premium on refunding debt	-	1,075,145	-	-	402,124	-	5.3	-	-	1.9
Total revenues and other sources	<u>3,951,851</u>	<u>20,122,783</u>	<u>4,075,896</u>	<u>5,994,946</u>	<u>21,468,981</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	3,130,000	2,935,000	2,670,000	2,600,000	2,320,000	79.2	14.6	65.5	43.4	10.8
Interest and fiscal charges	1,798,849	1,639,357	1,981,581	1,936,308	2,350,589	45.5	8.1	48.6	32.3	10.9
Tax appraisal and collection	56,691	53,241	53,368	53,008	52,292	1.4	0.3	1.3	0.9	0.2
Bond issuance costs	6,325	474,741	-	10,062	495,483	0.2	2.4	-	0.2	2.3
Payment to refunded bond escrow agent	-	16,211,975	-	2,051,423	17,050,000	-	80.5	-	34.2	79.4
Other	44	65	-	335	13,518	-	-	-	-	0.1
Total expenditures and other uses	<u>4,991,909</u>	<u>21,314,379</u>	<u>4,704,949</u>	<u>6,651,136</u>	<u>22,281,882</u>	<u>126.3</u>	<u>105.9</u>	<u>115.4</u>	<u>111.0</u>	<u>103.7</u>
TRANSFERS IN	<u>218,492</u>	<u>199,386</u>	<u>188,199</u>	<u>188,492</u>	<u>194,177</u>	<u>5.5</u>	<u>1.0</u>	<u>4.6</u>	<u>3.1</u>	<u>0.9</u>
INTERFUND FORGIVENESS OF DEBT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,435,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.7</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (821,566)</u>	<u>(992,210)</u>	<u>(440,854)</u>	<u>(467,698)</u>	<u>816,737</u>	<u>(20.8) %</u>	<u>(4.9)</u>	<u>(10.8)</u>	<u>(7.9)</u>	<u>3.9</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,308</u>	<u>5,155</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,403</u>	<u>5,241</u>	<u>5,205</u>	<u>5,132</u>	<u>4,908</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2014

Complete District Mailing Address: 16318 Great Oaks Drive
Round Rock, Texas 78681

District Business Telephone Number: (512) 255-7871

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) July 31, 2013

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

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/14</u>	<u>Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Rebecca B. Tullos	Elected 11/14 - 11/18	7,200 (1)	-	President
Russ Shermer	Elected 11/12-11/16	4,050 (1)	-	Vice President
Shean Dalton	Elected 11/14 - 11/18	4,050 (1)	-	Treasurer
Kim Filiatrault	Elected 11/14 - 11/18	- (1)	-	Secretary
Donna B. Parker	Appointed 7/13-11/16	6,450 (1)	-	Assistant Treasurer and Assistant Secretary
<u>Former Board Members -</u>				
Jeff Goldstein	Elected 5/10-11/14	3,900 (1)	-	Former Secretary

(1) Fees incurred by this director during the current fiscal year were paid subsequent to year end.

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

Key Administrative Personnel:

Mike Petter	2006	\$ 128,216	\$ 320	General Manager
David Gaines	2013	\$ 84,176	\$ 89	Officer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2014

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$ 98,742	Attorney
Judy Osborn	2004	7,045	Attorney
Maxwell Locke & Ritter LLP	2008	32,000	Auditor
Williamson Central Appraisal District	1981	58,849	Tax Appraiser
Williamson County Tax Office	1981	4,532	Tax Collector
Bury Partners	2009	60,101	Engineer
Patterson & Associates	2008	20,000	Investment Advisor
MRB Group	2013	21,949	Engineer
McCall Parkhurst Horton	1994	800	Bond Counsel
Bank of New York, Mellon	2009	7,000	Arbitrage Auditor
RimRock	2,008	17,201	Rate Consultant
Baker-Aicklen & Associates, Inc.	2013	10,614	Engineer
Half Associates	2011	669,506	Engineer

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2014

		DISTRICT		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Dedicated Oconnor RR LP	Land & Improvements	\$ 74,000,000	-	-
CWS Brushy Creek LP	Land & Improvements	36,633,704	-	-
Highland 620 Land Investment LTD	Land & Improvements	17,802,906	9,208,702	9,345,322
HE Butt Inc.	Land & Improvements	7,700,000	7,458,170	7,458,170
Great American Storage Partners LLC	Land & Improvements	5,232,966	4,598,988	-
MGP, XXII LLC	Land & Improvements	4,998,873	4,675,698	4,300,000
Kopels Perter A & Henry Aaratow	Land & Improvements	4,655,950	4,558,850	4,566,174
Barclay/ Texas Holdings 6 LP	Land & Improvements	4,306,991	-	-
Atmos Energy/MID-Tex Distribution	Land & Improvements	4,042,847	3,576,093	3,468,045
HEB Grocery Company LP	Land & Improvements	4,028,981	4,265,478	4,569,024
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	-	64,348,133	55,355,008
The Park at Brushy Creek LTD	Land & Improvements	-	32,989,667	30,500,000
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	-	-	3,737,933
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Total		\$ 163,403,218	143,259,705	132,632,259
Percent of Assessed Valuation		10.9%	11.2%	11.1%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS (continued) SEPTEMBER 30, 2014

		DEFINED AREA		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Highland 620 Land Investment LTD	Land & Improvements	\$ 17,802,906	9,208,702	9,345,322
Streetman Homes LTD LLP	Land & Improvements	2,167,671	1,445,352	1,353,797
Hy-Land North Joint Venture	Land & Improvements	1,578,829	1,300,204	3,140,551
Hatch House Management Company LLC	Land & Improvements	1,536,099	-	-
Weekley Homes LP	Land & Improvements	649,512	1,231,072	872,647
Standard Pacific Homes Inc	Land & Improvements	599,400	-	-
First Star Bank SSB	Land & Improvements	592,898	456,075	-
McDonald, Alice L	Land & Improvements	556,237	455,577	-
Zaman, Agsar Uz	Land & Improvements	535,994	-	-
O'Brien, Thomas J & Kelly S Craig	Land & Improvements	515,123	-	-
Hofkamp, Michael & Susan	Land & Improvements	-	-	403,088
Harris, Neil C & Lynne J	Land & Improvements	-	-	815,665
Bhandari, Ashraf M & Riaz Karim Ali	Land & Improvements	-	-	399,893
Kallfelz, Paul Jr & Paulette Moose	Land & Improvements	-	471,433	463,041
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Jablonski, Susan M & David B Fogle	Land & Improvements	-	466,049	446,617
Total		\$ 26,534,669	22,614,390	26,573,204
Percent of Assessed Valuation		9.9%	11.0%	15.5%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2014

Tax Roll Year						
DISTRICT						
Type of Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 1,265,711,823	84.8%	\$ 1,077,017,811	84.2%	\$ 1,002,166,786	83.9%
Real, Multi Family	116,834,289	7.8%	103,420,703	8.1%	91,925,031	7.7%
Real, Vacant Platted Lots/Tracts	19,968,214	1.3%	22,559,533	1.8%	23,484,294	2.0%
Real, Acreage (Land Only)	9,904	0.0%	638,369	0.0%	722,657	0.1%
Real, Commercial	63,805,898	4.3%	54,449,519	4.3%	49,662,094	4.2%
Real & Intangible Personal, Utilities	6,588,699	0.4%	5,228,081	0.4%	5,043,040	0.4%
Tangible Personal business	6,201,939	0.4%	6,063,603	0.5%	9,971,987	0.8%
Real Inventory	13,677,224	1.0%	9,427,636	0.7%	10,935,611	0.9%
Exempt	-	0.0%	191,577	0.0%	-	0.0%
Total	\$ 1,492,797,990	100%	\$ 1,278,996,832	100%	\$ 1,193,911,500	100%

DEFINED AREA						
Type of Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 236,496,706	88.3%	\$ 178,722,287	87.0%	\$ 142,871,726	83.3%
Real, Vacant Plotted Lots	15,862,132	5.9%	17,088,933	8.3%	17,360,008	10.1%
Real, Acreage (Land Only)	8,281	0.0%	636,746	0.3%	721,180	0.4%
Real, Commercial & Industrial	1,536,099	0.6%	-	0.0%	-	0.0%
Real & Intangible Personal, Utilities	161,570	0.1%	290,696	0.1%	-	0.0%
Tangible Personal Property	111,291	0.0%	270,496	0.1%	42,788	0.0%
Real Inventory	13,677,224	5.1%	8,462,100	4.2%	10,592,123	6.2%
Total	\$ 267,853,303	100%	\$ 205,471,258	100%	\$ 171,587,825	100%

APPENDIX B
FORM OF BOND COUNSEL OPINION

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,625,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on May 14, 2015, authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the Order (collectively, the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, 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 Sendero Springs and Cornerstone Defined Area

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. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that 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 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Grant Thornton LLP and certain representations of the District, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the AService@); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District 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 the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

GENERAL AND NO-LITIGATION CERTIFICATE

**THE STATE OF TEXAS
COUNTY OF WILLIAMSON
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

**§
§
§**

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 Underwriter 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 Underwriter 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 to Jana H. Edwards at McCall, Parkhurst & Horton L.L.P.

MATTERS RELATING TO THE DISTRICT

3. 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.

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

5. 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.

6. 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.

7. Neither the corporate existence nor boundaries of the 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.

8. 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.

9. The District is a conservation and reclamation district operating and existing as a municipal utility district under the provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54, Texas Water Code, as amended.

10. 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.

Name	Office	Term of Office Expires
Rebecca B. Tullos	President	November 2018
Russ Shermer	Vice President	November 2016
Kim Filiatrault	Secretary	November 2018
Shean Dalton	Treasurer	November 2016
Donna B. Parker	Director	November 2016

11. 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. The officers and members of the District's Board of Directors have not changed since the issuance of the District's Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 on May 21, 2015.

12. Other than the Bonds, the District has the below outstanding indebtedness payable from taxes:

Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008	\$ 135,000
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009	\$ 415,000

Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011	\$ 2,235,000
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013	\$ 3,420,000
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015	<u>\$ 3,530,000</u>
TOTAL	<u>\$ 9,735,000</u>

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

14. 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, Texas Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

15. None of the Refunded Bonds have ever been held in or purchased for the account of any of the special funds created and maintained under the orders authorizing their issuance for payment or security of the Refunded Bonds.

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

17. The District has not defaulted in the performance of any of the covenants or other conditions in the Order or the orders authorizing the Refunded Bonds.

18. The currently effective ad valorem tax rolls of the District are those for the year 2014, being the most recently approved tax rolls of the District; the taxable property in the Sendero Springs and Cornerstone Defined Area of the District has been assessed as required by law; the Tax Assessor of the District has duly verified the tax rolls; and the assessed value of taxable property in the Sendero Springs and Cornerstone Defined Area of the District upon which the annual ad valorem tax of the District has been levied (after deducting the amount of all exemptions, if any, taken or required to be given under the Constitution and laws of the State of Texas), according to the tax rolls for the year is \$264,174,702.

19. No incorporated city or town, or portion thereof, is included within the area of the District. The District lies within the extraterritorial jurisdiction of the City of Round Rock, and the District was in existence prior to being included within the City's extraterritorial jurisdiction. The

District is not subject to any consent or other agreement with any city governing the issuance of the Bonds.

20. The boundaries of the Sendero Springs and Cornerstone Defined Area have not changed since the issuance of the Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015. The true and correct boundaries of the Sendero Springs and Cornerstone Defined Area are attached hereto as Exhibit "B".

CLOSING MATTERS

21. To our best knowledge and belief: (i) the representations and warranties of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Official Statement, no litigation is pending or, to the best of our knowledge, threatened in any court or administrative body, nor is there a basis for litigation which would (a) contest the right of the members or officials of the District to hold and exercise their respective positions, (b) contest the due organization and valid existence of the District, (c) contest the validity, due authorization and execution of the Bonds or the District Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the District from functioning and collecting revenues, including payments on the Bonds, pursuant to the Order, or the levy or collection of the taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) all official action of the District relating to the Official Statement, the Bonds and the District Documents have been duly taken by the District, are in full force and effect and have not been modified, amended, supplemented or repealed; (iv) to the best of our knowledge, no event affecting the District has occurred since the date of the Official Statement which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (v) there has not been any material adverse change in the financial condition of the District since September 30, 2014, the latest date as of which audited financial information is available.

SIGNED this the 30th day of June, 2015.

[Signature]
Secretary, Board of Directors

[Signature]
President, Board of Directors

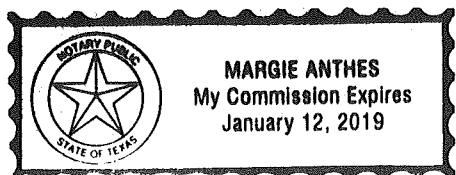
NOTARY ACKNOWLEDGMENT

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 14th day of May 2015.

[Signature]
Notary Public

(Notary Seal)



Execution Page

EXHIBIT A

Definitions

<i>Bonds</i>	Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015, dated June 1, 2015 in the aggregate principal amount of \$3,625,000.
<i>Closing</i>	June 30, 2015 or at such other time agreed upon between the District and the Underwriter.
<i>District</i>	Brushy Creek Municipal Utility District.
<i>District Documents</i>	Collectively, the Purchase Agreement, the Order, the Pricing Certificate and the Undertaking.
<i>Official Statement</i>	Collectively, the Preliminary Official Statement dated May 14, 2015 and the Official Statement dated May 27, 2015 relating to the issuance of the Bonds.
<i>Order</i>	The order adopted by the Board of Directors of the District on May 14, 2015 authorizing the issuance of the Bonds.
<i>Purchase Agreement</i>	The Bond Purchase Agreement between the District and the Underwriter dated May 27, 2015.
<i>Pricing Certificate</i>	The certificate of the pricing officer establishing the terms of the Bonds as authorized pursuant to the Order.
<i>Refunded Bonds</i>	Those obligations being refunded by the Bonds as set forth in the Pricing Certificate.
<i>Underwriter</i>	The underwriter as set forth in the Purchase Agreement.
<i>Undertaking</i>	The undertaking of the District which satisfies the requirements of section (b)(5)(i) of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended.

EXHIBIT B
Metes and Bounds

FIELD NOTES FOR 222.785 ACRES

FIELD NOTES DESCRIBING 222.785 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being a portion of the remainder of that certain 474.91 acre tract of land conveyed to Hy-Land North Joint Venture by Warranty Deed recorded in Volume 639, Page 693 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as PARCEL "A", PARCEL "B" and PARCEL "C" as follows:

PARCEL "A" (27.239 ACRES)

BEGINNING at an iron found on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 28, Block 14, Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of the Plat Records of Williamson County, Texas, for the Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the South right-of-way line of F.M. 1431, N70°16'46"E, 814.55 feet to an iron pin set at the Northwest corner of Lot 31, Block B, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for an ell corner of this tract.

THENCE along the perimeter of said Lot 31, Block B, the following two (2) courses:

1. S19°43'14"E, 10.00 feet to an iron pin set for an angle point of this tract.
2. S83°09'19"E, 122.98 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Northeast corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. S19°43'14"E, 95.00 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears S26°50'44"E, 100.78 feet to an iron pin set at the Point of Reverse Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 11°30'50".
3. along the arc of said curve 81.64 feet, the sub-chord of which bears S28°12'48"E, 81.50 feet to an iron pin set at the Northeast corner of Lot 24, Block B of said Sendero Springs Section One, for the Point of Tangency of said curve.

THENCE along the perimeter of Sendero Springs, the following ten (10) courses:

1. S70°16'46"W, 592.09 feet to an iron pin set for an angle point of this tract.
2. S00°32'31"W, 167.32 feet to an iron pin set for an angle point of this tract.
3. S10°17'10"W, 124.03 feet to an iron pin set for an angle point of this tract.
4. N87°49'59"E, 217.61 feet to an iron pin set for an angle point of this tract.
5. N70°16'46"E, 85.00 feet to an iron pin set for an ell corner of this tract.
6. S19°43'14"E, 125.00 feet to an iron pin set for an ell corner of this tract.
7. S70°16'46"W, 18.64 feet to an iron pin set for an ell corner of this tract.
8. S19°43'14"E, 50.00 feet to an iron pin set for an angle point of this tract.
9. S26°18'50"E, 135.90 feet to an iron pin set for an angle point of this tract.
10. N70°16'46"E, 423.09 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for an ell corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following two (2) courses:

1. S19°43'14"E, 110.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".
2. along the arc of said curve 39.27 feet, the long chord of which bears S25°16'46"W, 35.36 feet to an iron pin set on the North right-of-way line of Luminoso Lane West, for the Point of Tangency of said curve.

THENCE crossing said Luminoso Lane West, S19°43'14"E, 50.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".

THENCE along the arc of said curve 39.27 feet, the long chord of which bears S64°43'14"E, 35.36 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Point of Tangency of said curve.

THENCE along the West right-of-way line of Sendero Springs Drive, the following four (4) courses:

1. S19°43'14"E, 4.09 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 511.93 feet and a central angle of 5°56'24".
2. along the arc of said curve 53.07 feet, the long chord of which bears S16°45'02"E, 53.05 feet to an iron pin set at the Point of Tangency of said curve.
3. S13°46'50"E, 140.41 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 13°29'04".

4. along the arc of said curve 129.44 feet, the long chord of which bears S20°31'22"E, 129.14 feet to an iron pin set on the Northwest right-of-way line of Great Oaks Drive, for the Point of Reverse Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 82°30'19".

THENCE along the Northwest right-of-way line of Great Oaks Drive, the following five (5) courses:

1. along the arc of said curve 36.00 feet, the long chord of which bears S13°59'15"W, 32.97 feet to an iron pin set at the Point of Tangency of said curve.
2. S55°14'25"W, 41.15 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 17°45'15".
3. along the arc of said curve 170.43 feet, the long chord of which bears S46°21'47"W, 169.75 feet to an iron pin set at the Point of Tangency of said curve.
4. S37°29'09"W, 102.73 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 935.00 feet and a central angle of 11°51'59".
5. along the arc of said curve 193.65 feet, the long chord of which bears S33°31'10"W, 193.90 feet to an iron pin set at the East corner of Lot 2, Block 18 of said Brushy Creek North Section Two, for the South corner of this tract.

THENCE along the perimeter of said Brushy Creek North Section Two, the following twenty (20) courses:

1. N57°41'05"W, 150.00 feet to an iron pin found for an angle point of this tract.
2. N77°31'05"W, 115.01 feet to an iron pin found for an angle point of this tract.
3. N67°32'22"W, 69.61 feet to an iron pin found for an angle point of this tract.
4. N11°56'05"E, 159.72 feet to an iron pin found for an angle point of this tract.
5. N61°16'56"W, 150.04 feet to an iron pin found on the Southeast right-of-way line of Pheasant Hollow at the North corner of Lot 11, Block 18 of said Section Two, for an angle point of this tract.
6. N61°16'56"W, 50.00 feet to an iron pin set on the Northwest right-of-way line of Pheasant Hollow, for an angle point of this tract.
7. along the Northwest right-of-way line of Pheasant Hollow, S26°29'36"W, 14.82 feet to an iron pin found at the East corner of Lot 1, Block 19 of said Section Two, for an angle point of this tract.
8. N61°10'15"W, 200.13 feet to an iron pin found for an angle point of this tract.
9. N28°49'29"E, 80.14 feet to an iron pin found for an angle point of this tract.
10. N59°55'06"W, 69.95 feet to an iron pin found for an angle point of this tract.
11. S83°24'37"W, 150.20 feet to an iron pin found for on the East right-of-way line of Quail Run at the Northwest corner of Lot 2, Block 19 of said Section Two, for an angle point of this tract.

12. S83°08'21"W, 49.87 feet to an iron pin found on the West right-of-way line of Quail Run, for an angle point of this tract.
13. along the West right-of-way line of Quail Run, N06°54'06"W, 15.00 feet to an iron pin set at the Northeast corner of Lot 16, Block 17 of said Section Two, for an angle point of this tract.
14. S80°11'12"W, 173.86 feet to an iron pin found for an angle point of this tract.
15. N00°45'49"E, 167.06 feet to an iron pin found for an angle point of this tract.
16. N10°12'04"E, 60.08 feet to an iron pin found for an angle point of this tract.
17. N10°10'21"E, 461.48 feet to an iron pin set for an angle point of this tract.
18. N28°09'43"W, 144.92 feet to an iron pin found on the South right-of-way line of Deer Track at the Northeast corner of Lot 1 of said Block 17, for an angle point of this tract.
19. N19°08'36"W, 50.02 feet to an iron pin found on the North right-of-way line of Deer Track at the Southeast corner of Lot 28, Block 14 of said Section Two, for an angle point of this tract.
20. N19°47'56"W, 150.01 to the POINT OF BEGINNING of the herein described tract, containing 27.239 acres of land, more or less.

PARCEL "B" (1.572 ACRES)

BEGINNING at an iron set on the South right-of-way line of F.M. 1431, at the Northeast corner of Lot 141, Block K, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for the most Northerly Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the North right-of-way line of F.M. 1431, N70°16'46"E, 165.00 feet to an iron pin set at the Northwest corner of Lot 138, of said Block K, for an ell corner of this tract.

THENCE along an East line of said Block K, S19°43'14"E, 262.46 feet to an iron pin set at the common rear corner of Lots 124, 125 and 127 of said Block K, for the Southeast corner of this tract.

THENCE along a North line of said Block K, S70°16'46"W, 288.12 feet to an iron pin set on the East right-of-way line of Sendero Springs Drive at the Northwest corner of Lot 139 of said Block K, being the Point of Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 0°21'28".

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. along the arc of said curve 2.54 feet, the sub-chord of which bears N05°38'58"W, 2.54 feet to an iron pin set at the Point of Reverse Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears N12°35'43"W, 100.78 feet to an iron pin set at the Point of Tangency of said curve.
3. N19°43'14"W, 95.00 feet to an iron pin set at the South corner of said Lot 141, for an angle point of this tract.

THENCE along the perimeter of said Lot 141, the following two (2) courses:

1. N43°42'52"E, 122.98 feet to an iron pin set for an angle point of this tract.
2. N19°43'14"W, 10.00 feet to the POINT OF BEGINNING of the herein described tract, containing 1.572 acres of land, more or less.

PARCEL "C" (193.974 ACRES)

BEGINNING at a brass disk found on the South right-of-way line of F.M. 1431, at the Northeast corner of the remainder of said 474.91 acre tract, for the Northeast corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the East line of said 474.91 acre tract, for the East line hereof, the following three (3) courses:

1. S21°05'27"E, 1718.82 feet to an angle point of this tract.
2. S67°58'25"W, 173.81 feet to an angle point of this tract.
3. S20°59'47"E, 2194.57 feet to the Southeast corner of said 474.91 acre tract, for the Southeast corner of this tract.

THENCE along the South line of said 474.91 acre tract, for the South line hereof, the following four (4) courses)

1. S65°42'43"W, 598.71 feet to an angle point of this tract.
2. S69°23'43"W, 1291.68 feet to an angle point of this tract.
3. S69°23'43"W, 100.00 feet to an angle point of this tract.
4. S69°23'43"W, 150.00 feet to the Southeast corner of Lot 34, Block 5, Brushy Creek North Section One, a subdivision of record in Cabinet C, Slides 303-309 of said Plat Records, for the Southwest corner of this tract.

THENCE along the East line of said Section One, and the East line of Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of said Plat Records, the following eleven (1) courses:

1. N20°37'42"W, 149.97 feet to an angle point of this tract.
2. N20°29'53"W, 1000.82 feet to an angle point of this tract.
3. N25°58'16"W, 171.13 feet to an angle point of this tract.
4. N36°27'01"W, 171.10 feet to an angle point of this tract.
5. N46°55'45"W, 171.10 feet to an iron pipe found for an angle point of this tract.
6. N57°11'47"W, 171.45 feet to an iron pin found for an angle point of this tract.
7. N67°37'54"W, 171.08 feet to an iron pin found for an angle point of this tract.
8. N76°11'14"W, 92.36 feet to an iron pipe found for an angle point of this tract.
9. N78°08'31"W, 79.64 feet to an iron pin found for an angle point of this tract.
10. N55°17'53"W, 199.98 feet to an iron pipe found at the North corner of Lot 12, Block 11 of said Brushy Creek North Section Two, for an angle point of this tract.
11. S42°26'56"W, 47.20 feet to an iron pin found for at the Southeast corner of Lot 1, Block F, of said Sendero Springs Section One, for an angle point of this tract.

THENCE along the perimeter of Sendero Springs Section One, the following twenty-nine (20) courses:

1. N50°34'54"W, 63.72 feet to an iron pin set at the South corner of Lot 2 of said Block F, for an angle point of this tract.
2. N39°18'26"E, 174.40 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 3°11'22".
3. along the West right-of-way line of Sendero Springs Drive, along the arc of said curve 30.62 feet, the sub-chord of which bears S52°17'15"E, 30.61 feet to an iron pin set at the Point of Tangency of said curve.
4. N36°14'40"E, 236.82 feet to an iron pin set at the East corner of Lot 26, Block M of said Sendero Springs Section One, for an ell corner of this tract.
5. N53°45'20"W, 35.00 feet to an iron pin set for an ell corner of this tract.
6. N36°14'40"E, 268.84 feet to an iron pin set for an angle point of this tract.
7. S73°03'39"E, 124.19 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 195.00 feet and a central angle of 31°58'29".
8. along the arc of said curve 108.82 feet, the sub-chord of which bears N04°00'04"E, 107.42 feet to an iron pin set at the Point of Tangency of said curve.
9. N11°59'11"W, 100.25 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 175.00 feet and a central angle of 24°20'10".
10. along the arc of said curve 74.33 feet, the long chord of which bears N24°09'16"W, 73.77 feet to an iron pin set at the Point of Tangency of said curve.

11. N36°19'21"W, 44.35 feet to an iron pin set for an ell corner of this tract.
12. S53°40'39"W, 148.61 feet to an iron pin set for an angle point of this tract.
13. N36°39'50"W, 161.02 feet to an iron pin set for an angle point of this tract.
14. N14°34'49"W, 19.71 feet to an iron pin set for an angle point of this tract.
15. N03°18'26"E, 132.48 feet to an iron pin set for an angle point of this tract.
16. N63°34'50"E, 165.54 feet to an iron pin set at the Southwest corner of Lot 12 of said Block M, for an angle point of this tract.
17. N70°14'06"E, 131.81 feet to an iron pin set for an angle point of this tract.
18. N62°49'47"E, 123.59 feet to an iron pin set on the West right-of-way line of Luminoso Lane East, for an ell corner of this tract.
19. along the West right-of-way line of Luminoso Lane East, S27°10'13"E, 13.07 to an iron pin set for an angle point of this tract.
20. N64°28'29"E, 129.36 feet to an iron pin set at the common rear corner of Lots 94 and 95 of Block K of said Sendero Springs Section One, for an angle point of this tract.
21. N67°50'10"E, 110.30 feet to an iron pin set at the common rear corner of Lots 96 and 97 of said Block K, for an angle point of this tract.
22. N69°25'47"E, 60.07 feet to an iron pin set at the common rear corner of Lots 97 and 98 of said Block K, for an angle point of this tract.
23. N70°47'37"E, 60.02 feet to an iron pin set at the common rear corner of Lots 98 and 99 of said Block K, for an angle point of this tract.
24. N72°14'15"E, 280.96 feet to an iron pin set at the East corner of said Lot 100 of said Block K, for an angle point of this tract.
25. N39°34'08"W, 243.96 feet to an iron pin set at the common rear corner of Lots 101 and 102 of said Block K, for an angle point of this tract.
26. N40°12'46"W, 171.63 feet to an iron pin set at the common rear corner of Lots 102 and 106 of said Block K, for an angle point of this tract.
27. N46°41'27"W, 237.44 feet to an iron pin set at the common rear corner of Lots 107 and 108 of said Block K, for an angle point of this tract.
28. N47°32'05"W, 295.98 feet to an iron pin set for an angle point of this tract.
29. N35°04'41"W, 55.69 feet to an iron pin set on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 138 of said Block K, for the Northwest corner of this tract.

THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

1. N70°16'46"E, 964.30 feet to a brass disk found for an angle point of this tract.
2. N70°24'56"E, 762.23 feet to the POINT OF BEGINNING of the herein described tract, containing 193.974 acres of land, more or less

IN ALL, said PARCEL "A", said PARCEL "B" and said PARCEL "C" contain an aggregate total of 222.785 acres of land, more or less

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray ♦ Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in cursive script, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

25 September 01
Date

FIELD NOTES FOR 193.898 ACRES

FIELD NOTES DESCRIBING 193.898 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being all of certain tract of land, described as 193.96 acres, conveyed to HRI Development Corporation by deed recorded in Volume 1660, Page 105 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point on the Southeast right-of-way line of R.R. 620 at the West corner of that certain 410.00 acre tract of land conveyed to Robinson Land, Ltd., by deed recorded in Volume 1996, Page 57 of said Deed Records, for the North corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE departing the Southeast right-of-way line of R.R. 620, along the East line hereof, the following two (2) courses)

1. S19°14'22"E, 1922.61 feet to an angle point of this tract.
2. S19°03'09"E, 1920.67 feet to the Southeast corner of this tract.

THENCE along the South hereof, the following two (2) courses)

1. S71°12'07"W, 2313.01 feet to an angle point of this tract.
2. S70°30'49"W, 991.72 feet to the Southwest corner of this tract.

THENCE along the West line hereof, N19°40'28"W, 1364.91 feet to a point on the Southeast right-of-way line of R.R. 620, for the West corner of this tract.

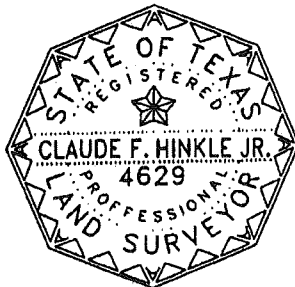
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

1. N36°39'52"E, 1934.46 feet to the Point of Curvature of a curve to the left having a radius of 5779.56 feet and a central angle of 6°39'00".
2. along the arc of said curve 670.80 feet, the long chord of which bears N33°20'22"E, 670.42 feet to the Point of Tangency of said curve.
3. N30°00'52"E, 836.20 feet to the Point of Curvature of a curve to the right having a radius of 5679.56 feet and a central angle of 4°32'00".
4. along the arc of said curve 449.38 feet, the long chord of which bears N32°16'52"E, 449.26 feet to the Point of Tangency of said curve.

5. N34°32'52"E, 250.01 feet to the POINT OF BEGINNING of the herein described tract containing 193.898 acres of land, more or less.

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray & Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in cursive script, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

Date 25 September 01

FEDERAL TAX CERTIFICATE

1. In General.

1.1. The undersigned is the General Manger of the Brushy Creek Municipal Utility District (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 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to an Order of the Issuer and a Pricing Certificate, each duly adopted by the Issuer (collectively, the "Order"). 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 Federal Tax Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility, among others, of issuing and delivering the Bonds.

1.5. The undersigned is not aware of any facts or circumstances that would cause him to question the accuracy of the representations made by Raymond James & Associates, Inc. (the "Underwriter") in the Issue Price Certificate attached hereto as Exhibit "D", and by Robert W. Baird & Co., Incorporated (the "Financial Advisor") in Subsections 2.3, 4.1, 4.3 and 6.3 of this Certificate and with respect to the Schedules attached hereto as Exhibit "E".

2. The Purpose of the Bonds and Useful Lives of Projects.

2.1. The purpose for the issuance of the Bonds, as more fully described in the Order, is to establish an Escrow Fund (the "Escrow Fund") pursuant to an Escrow Agreement (the "Escrow Agreement") between the Issuer and an escrow agent to advance refund and currently refund certain outstanding obligations of the Issuer as respectively listed in Exhibit "B" to the Escrow Agreement (individually, the "Advance Refunded Bonds" and the "Currently Refunded Bonds" and collectively, the "Outstanding Bonds") and to pay the related expenses of issuing the Bonds. The Escrow Agreement is included in the transcript for the Bonds and incorporated herein by reference.

2.2. The Currently Refunded Bonds will be redeemed within 90 days of the date hereof.

2.3. The Financial Advisor has represented that the Issuer will realize a present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds and the refunding of the Outstanding Bonds. The Advance Refunded Bonds will be redeemed on the earliest date on which the Advanced Refunded Bonds can be redeemed. For purposes of the foregoing, an error in the Order for the Advance Refunded Bonds requires that the first redemption date for such bonds be established pursuant to other documentation for the Advance Refunded Bonds, including the Official Statement, which establishes the contractual terms of the Advance Refunded Bonds between the Issuer and the holders thereof.

2.4. The Bonds are the first advance refunding of the Outstanding Bonds, which were originally issued by the Issuer after December 31, 1985.

2.5. The proceeds of the Outstanding Bonds were used to financing of a water, wastewater and drainage facilities to serve the following developments: Sendero Springs Sections Two, Three, Four and Five, Highland Horizons Phase 1 Single Family, Highland Horizons Phase 1 Multi-Family and Highland Horizons Phase 1 Commercial (the "Outstanding Projects"). The Outstanding Projects remain in service and have not been sold or otherwise disposed of by the Issuer.

2.6. The Issuer expects that 120 percent of the aggregate useful lives of the Outstanding Projects, on the later of the date that the Outstanding Projects were placed in service or the date of issuance of the Outstanding Bonds, will exceed 24 years.

2.7. Other than members of the general public, the Issuer expects that throughout the lesser of the term of the Bonds, or the useful lives of the Outstanding Projects, the only user of the Outstanding Projects will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Outstanding Projects. The Issuer does not expect to enter into long-term sales of output from the Outstanding Projects and sales of output will be made on the basis of generally-applicable and uniformly applied rates. The Issuer may apply different rates for different classes of customers, including volume purchasers, which are reasonable and customary. In no event will the proceeds of the Bonds or facilities financed therewith be used for private business use in an amount greater than \$15 million.

2.8. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the Outstanding Projects prior to the earlier of the end of such property's useful life or the final maturity of the Bonds. The Order provides that the Issuer will not sell or otherwise dispose of the Outstanding Projects unless the Issuer receives an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds.

2.9. For purposes of Subsection 2.8 hereof, the Issuer has not included the portion of the Outstanding Projects comprised of personal property that is disposed in the ordinary course at a price that is expected to be less than 25 percent of the original purchase price. The Issuer, upon any disposition of such property, will transfer the receipts from the disposition of such property to the general operating fund and expend such receipts within six months for other governmental programs.

3. Source and Disbursement of Funds.

3.1. The source and disbursement of the proceeds of the Bonds is shown in the report (the "Report") prepared by Grant Thornton L.L.P., certified public accountants (the "Accountants"), which is included in the transcript for the Bonds and is incorporated herein by reference. The Report shows that a portion of the proceeds of the Bonds will be applied to acquire United States Treasury Obligations (the "Acquired Obligations") to be deposited in the Escrow Fund.

3.2. The Issuer will contribute funds which were derived from revenues as a cash deposit pursuant to the Report (the "Cash") to be deposited in the Escrow Fund. The receipts from the Cash will be applied, within 13 months of the date of deposit, to pay principal or interest on the Outstanding Bonds. The Cash will be allocated and applied to pay the Outstanding Bonds in the manner shown in Exhibit B to the Escrow Agreement. The funds contributed by the Issuer to purchase the Cash Obligations are not proceeds of any tax-exempt obligations issued by or on behalf of the Issuer.

3.3. The principal of and interest on the Acquired Obligations and the beginning cash balance will not exceed the amount required to pay the principal of and interest on the Outstanding Bonds. The beginning

cash balance will not be invested and the maturing principal of and interest on the Acquired Obligations will not be reinvested. Accordingly, after taking into account proceeds used to pay costs of issuance and accrued interest, the Issuer expects that "excess gross proceeds" within the meaning of section 1.148-10(c) of the Treasury Regulations will not exceed one percent of the sale proceeds of the Bonds.

4. Yields.

4.1. The Financial Advisor has prepared certain schedules (the "Schedules") relating to the Bonds, the refunding of the Outstanding Bonds, the yield of the Bonds and the yield of the Acquired Obligations. The Accountants have verified these Schedules. The Accountants' opinion states that the yield on the Bonds and the Acquired Obligations has been computed by determining the yield which when used in computing the present worth of all payments of principal and interest to be paid on the Bonds or the Acquired Obligations produces an amount equal to their purchase price. In the case of the Bonds, the term "purchase price" means the initial offering price of the Bonds to the public plus accrued interest and less the premium paid for bond insurance. In the case of the Acquired Obligations, the term "purchase price" means "fair market value" as defined in section 1.148-5(d)(6) of the Treasury Regulations as set forth in the Certificate of Successful Bidder as to Market Price Rule and a Broker Certificate as to Market Price Relating to United States Treasury Obligations attached hereto as Exhibits "F" and "G," respectively. State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt, were not available for purchase on the date the bidding process for the Acquired Obligation was undertaken. The Schedules show that the yield on the Acquired Obligations is less than the yield on the Bonds.

4.2. The issue price of the Bonds included in the Form 8038-G, is based on the Issue Price Certificate attached hereto.

4.3. The premium paid for bond insurance is solely for the transfer of credit risk for the payment of debt service on the Bonds. The Financial Advisor has represented, based on its experience, and the market conditions and other facts existing on the date of sale of the Bonds, that the present value of the premium paid for bond insurance for each obligation constituting the Bonds to which such premium 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 premium has been paid to a person which 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.

4.4. Other than the qualified guarantee referred to in Subsection 4.3 above, the Issuer has not entered into any qualified guarantee or qualified hedge with respect to the Bonds. The yield on the Bonds will not be affected by subsequent unexpected events, except to the extent provided in section 1.148-4(h)(3) of the Treasury Regulations when and if the Issuer enters into a qualified hedge or into any transaction transferring, waiving or modifying any right that is part of the terms of any Bond. The Issuer will consult with nationally recognized bond counsel prior to entering into any of the foregoing transactions.

5. Transferred Proceeds, Excess Proceeds and Disposition Proceeds.

5.1. As of the date of this Certificate, all of the amounts received from the sale of the Outstanding Bonds and the investment earnings thereon have been expended.

5.2. The Issuer has no reason to believe nor has any expectation that a device has been or will be employed in connection with the issuance of the Bonds to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates. All of the proceeds of the Bonds, other than an amount, if any, which is less than one percent of the sale proceeds of the Bonds, will be used either to pay costs of issuance of the Bonds or to pay principal and interest on the Outstanding Bonds.

6. Debt Service Fund.

6.1. The Order creates a special Debt Service Fund solely for the benefit of the Bonds (the "Debt Service Fund"). Other than as described herein, money deposited in the Debt Service Fund will be used to pay the principal of and interest on the Bonds (the "Bona Fide Debt Service Portion"). 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 Debt Service Fund. Amounts deposited in the Debt Service 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 Debt Service Fund will be spent within a one-year period beginning on the date of receipt.

6.2. A portion of the funds on deposit in the Debt Service 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. The present value of the investments deposited to the Reserve Portion of the Debt Service Fund and allocable to the Bonds and to the unrefunded portion of the issue of obligations of which the Outstanding Bonds are a part that will be invested at a yield higher than the yield on such bonds will not, as of any date, exceed an aggregate amount which equals the lesser of (a) 10 percent 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.

6.3. Based on the representation of the Financial Advisor, the amount on deposit in the Reserve Portion of the Debt Service Fund should be maintained as a balance allocable to the Bonds in the Debt Service Fund consistent with accepted standards 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.

6.4. Any money deposited in the Debt Service Fund and any amounts received from the investment thereof that accumulate and remain on hand therein after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof shall constitute a third and separate portion of the Debt Service Fund. The yield on any investments allocable to the portion of the Debt Service Fund exceeding of the sum of (a) the Bona Fide Debt Service Portion, (b) the Reserve Portion and (c) an amount equal to the lesser of five percent of the sale and investment proceeds of the Bonds or \$100,000 will be restricted to a yield that does not exceed the yield on the Bonds.

7. Invested Sinking Fund Proceeds, Replacement Proceeds.

7.1. The Issuer has, in addition to the moneys received from the sale of the Bonds and the funds described in Section 3 of this Certificate, 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.

7.2. Other than the Debt Service 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.

8. 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 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.

9. 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. The Issuer acknowledges that this Certificate, including any attachments, does not constitute an opinion of Bond Counsel as to the proper federal tax or accounting treatment of any specific transaction.

10. Record Retention and Private Business Use.

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 PERIODS BEGINNING ON THE RESPECTIVE ISSUE DATE OF THE OUTSTANDING BONDS OR, IN THE CASE OF A SEQUENCE OF REFUNDINGS, THE ISSUE DATE OF THE OBLIGATIONS ORIGINALLY FINANCING THE OUTSTANDING PROJECTS AND ENDING THREE YEARS AFTER THE DATE THE BONDS ARE RETIRED.** The Issuer acknowledges receipt of the letters attached hereto as Exhibit "B" which discusses limitations related to private business use and Exhibit "C" which, in part, discusses specific guidance by the Service with respect to the retention of records relating to tax-exempt bond transactions.

11. Rebate to United States.

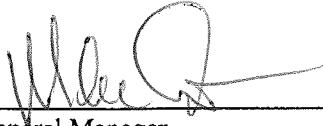
The Issuer has covenanted in the Order that it will comply with the requirements of the Code, including section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the

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. The Issuer acknowledges receipt of the memorandum attached hereto as Exhibit "A" which discusses regulations promulgated pursuant to section 148(f) of the Code.

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DATED as of June 30, 2015.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By:  _____
General Manager

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Subsections 2.3, 4.1, 4.3 and 6.3 of this Federal Tax Certificate and the Schedules attached hereto as Exhibit "E" are, as of June 30, 2015, accurate and complete. We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in this Federal Tax Certificate and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the Issuer that interest on the Bonds is excludable from gross income thereof for income tax purposes, and (ii) for purposes of completing the IRS Form 8038-G. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws or the application of any laws to these facts.

ROBERT W. BAIRD & CO., INCORPORATED

By: Jan Bartholomew
Name: JAN BARTHOLOMEW
Title: Managing Director

Exhibit "C"

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2984

May 27, 2015

Mr. Mike Petter
General Manager
Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Re: Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series
2015

Dear Mr. Petter:

As you know, Brushy Creek Municipal Utility District (the "District") will issue the captioned bonds in order to provide for the refunding, in advance of their maturities, of portions of bonds previously issued by the District. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the project or to be deposited to the debt service fund for the captioned bonds. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of bond proceeds and that investment of these amounts be at a yield which is not higher than the yield on the bonds. Please note that the Form 8038-G has been prepared based on the information provided by or on your behalf by your financial advisor. Accordingly, while we believe that the information is correct you may wish to have the yield confirmed before your rebate consultant or the paying agent attempt to rely on it.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the project or to be deposited to the debt service fund must be invested in obligations the combined yield on which does not exceed the yield on the bonds. For this purpose, please refer to line 21(e) of the Form 8038-G included in the transcript of proceedings for the yield. Importantly, for purposes of administrative convenience, the bonds, however, have been structured in such a way as to avoid, for the most part, this restriction on investment yield. As such, for analytical purposes only, we have segregated the debt service fund into three separate accounts. This does not require that you segregate monies deposited to the debt service fund into those accounts, but you should keep in mind the limitations imposed on each of those hypothetical accounts. They also contain certain covenants relating to expenditures of proceeds designed to alert you to unintentional failures to comply with the laws affecting expenditures of proceeds and dispositions of property.

First, the debt service fund is made up of taxes which are levied annually for the payment of current debt service on all the District's outstanding bonds. Any taxes deposited to the debt service fund which are to

be used for the payment of current debt service on the captioned bonds, or any other outstanding bonds, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of the taxes. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Second, the debt service fund contains an amount of taxes, which although not expended for debt service within the current year, are necessary to ensure that amounts will be sufficient to pay debt service in the event that taxes are insufficient during that period. This amount, commonly referred to as "coverage," represents a reserve account against periodic fluctuations in the receipt of tax revenues. The Internal Revenue Code permits amounts which are held in reserve for the payment of debt service, in such instances, to be invested without regard to yield restriction if such amounts do not exceed the lesser of (1) 10 percent of the outstanding principal amount of all outstanding bonds, (2) maximum annual debt service on all outstanding bonds, or (3) 125 percent of average annual debt service on all outstanding bonds.

Third, a portion of the debt service fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes deposited to the debt service fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the bonds or \$100,000.

Accordingly, you should review the current balance in the debt service fund in order to determine if such balance exceeds the aggregate amount of these three accounts. Additionally, in the future it is important that you be aware of these accounts as additional amounts are deposited to the debt service fund. The amounts which are subject to yield restriction would only be the amounts which are in excess of the sum of (1) the current debt service account, (2) the reserve account, and (3) the "minor portion" account. Moreover, to the extent that additional bonds are issued by the District, whether for new money projects or for refunding, these amounts will change in their proportion.

The Order contains covenants that require the Issuer to comply with the requirements of the federal tax laws relating to the tax-exempt obligations. The Internal Revenue Service (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 the Internal Revenue Code. **Accordingly, the Issuer should retain such materials, records and information for the periods beginning on the respective issue date of the outstanding bonds, or, in the case of a sequence of refundings, the issue date of the obligations originally financing the refinanced projects and ending three years after the date the captioned bonds are retired. Please note this federal tax law standard may vary from state law standards.** The material, records and information required to be retained will generally be contained in the transcript of proceedings for the captioned bonds, however, the Issuer should collect and retain additional materials, records and information to ensure the continued compliance with federal tax law requirements. For example, beyond the transcript of proceedings for the bonds, the Issuer should keep schedules evidencing the expenditure of bond proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of bond proceeds. In the event that you have questions relating to record retention, please contact us.

The Service also wants some assurance that any failure to comply with the federal tax laws was not due to an issuer's intentional disregard or gross neglect of the responsibilities imposed on it by the federal tax laws. Therefore, to ensure post-issuance compliance, an issuer should consider adopting formalized written guidelines to help the issuer perform diligence reviews at regular intervals. The goal is for issuers to be able

to timely identify and resolve violations of the laws necessary to maintain their obligations' tax-favored status. While the federal tax certificate, together with its attachments, may generally provide a basic written guideline when incorporated in an organizations' operations, the extent to which an organization has appropriate written compliance procedures in place is to be determined on a case-by-case basis. Moreover, the Service has indicated that written procedures should identify the personnel that adopted the procedures, the personnel that is responsible for monitoring compliance, the frequency of compliance check activities, the nature of the compliance check activities undertaken, and the date such procedures were originally adopted and subsequently updated, if applicable. The Service has stated that the adoption of such procedures will be a favorable factor that the Service will consider when determining the amount of any penalty to be imposed on an issuer in the event of an unanticipated and non-curable failure to comply with the tax laws.

Finally, you should notice that the Order contains a covenant that limits the ability of the District to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding bonds), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the bonds. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of, among other tax rules, the yield restriction rules as applied to amounts deposited to the debt service fund. This letter does not address the rebate consequences with respect to the debt service fund and you should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P.

cc: Ms. Carol D. Polumbo

Exhibit "D"

ISSUE PRICE CERTIFICATE

The undersigned, as the duly authorized representative of Raymond James & Associates, Inc., as the underwriter (the "Underwriter"), with respect to the underwriting of the Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds") issued by the Brushy Creek Municipal Utility District (the "Issuer"), hereby certifies and represents the following, based on information available to it:

(a) As of May 27, 2015 (the "Sale Date"), the Underwriter has offered all of the Bonds to members of the public in a bona fide initial offering at a price which, on the date of such offering, and based upon the Underwriter's assessment of then-prevailing market conditions and their experience with obligations similar to the Bonds, was reasonably expected by the Underwriter to not exceed the fair market value of each maturity thereof. For purposes of this Issue Price Certificate, the term "public" does not include any bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.

(b) Other than the Bonds maturing in 2017 through 2029 and 2031 through 2033 (the "Retained Maturity or Maturities"), the first price at which a substantial amount (i.e., at least 10 percent) of the principal amount of each maturity of the Bonds was sold to the public on the Sale Date is set forth in the final Official Statement relating to the Bonds. In the case of the Retained Maturities, the Underwriters reasonably expected on the offering date to sell a substantial amount (i.e., at least 10 percent) of each Retained Maturity at the initial offering price set forth in the Official Statement.

The Underwriter understands that the representations made in this Issue Price Certificate will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the Issuer that interest on the Bonds is excludable from gross income thereof for income tax purposes, and (ii) for purposes of completing the IRS Form 8038-G. Except as set forth above, the certifications made herein may not be relied upon or used by any third party or for any other purpose. The undersigned is certifying only as to facts in existence on the Sale Date. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on such reasonable inquiry as the Underwriter deems necessary, which may include prior market knowledge, regarding the matters set forth herein. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this June 30, 2015.

RAYMOND JAMES & ASSOCIATES, INC.

By: Luke Mattson

Name: Luke Mattson

Title: Vice President

Exhibit "E"

SCHEDULES OF FINANCIAL ADVISOR

[To be attached hereto]

REFUNDING EFFECTS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Date	Outstanding Debt Service (1)	Less: Refunded Debt Service (1)	Plus: New Principal	Plus: New Interest	Total Debt Service	Savings (2)
12/31/2015	287,229	90,415		57,625	254,439	4,074
12/31/2016	914,366	180,830	40,000	114,850	888,386	25,980
12/31/2017	931,109	249,080	110,000	113,350	905,379	25,730
12/31/2018	941,669	250,455	115,000	111,100	917,314	24,355
12/31/2019	936,213	251,580	120,000	108,750	913,383	22,830
12/31/2020	944,981	252,455	125,000	105,675	923,201	21,780
12/31/2021	947,200	335,849	210,000	100,650	922,001	25,199
12/31/2022	952,738	336,624	220,000	94,200	930,314	22,424
12/31/2023	956,594	336,505	225,000	87,525	932,614	23,980
12/31/2024	958,519	335,480	230,000	80,700	933,739	24,780
12/31/2025	963,841	338,755	240,000	73,650	938,736	25,105
12/31/2026	967,330	336,330	245,000	66,222	942,222	25,108
12/31/2027	968,955	343,080	260,000	58,169	944,044	24,911
12/31/2028	968,744	343,730	270,000	49,219	944,233	24,511
12/31/2029	966,396	343,400	280,000	39,594	942,590	23,806
12/31/2030	971,858	347,080	295,000	29,347	949,125	22,733
12/31/2031	970,292	344,770	300,000	18,375	943,897	26,395
12/31/2032	977,059	200,813	165,000	9,656	950,903	26,156
12/31/2033	972,176	200,363	175,000	3,281	950,095	22,081
12/31/2034	463,819				463,819	
12/31/2035	462,506				462,506	
12/31/2036	465,306				465,306	
12/31/2037	462,216				462,216	
12/31/2038	463,219				463,219	
12/31/2039	229,219				229,219	
	20,043,552	5,417,593	3,625,000	1,321,938	19,572,897	441,939



SOURCES AND USES OF FUNDS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Dated Date 06/01/2015
Delivery Date 06/30/2015

Sources:

Bond Proceeds:

Par Amount	3,625,000.00
Accrued Interest	9,284.03
Original Issue Discount	-39,756.50
Premium	29,050.45
	<hr/>
	3,623,577.98

Other Sources of Funds:

Debt Service Fund Transfer	38,000.00
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3,661,577.98

Uses:

Refunding Escrow Deposits:

Cash Deposit	1,568,631.38
Open Market Purchases	1,927,948.38
	<hr/>
	3,496,579.76

Other Fund Deposits:

Accrued Interest	9,284.03
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Delivery Date Expenses:

Cost of Issuance	110,625.00
Underwriter's Discount	33,811.25
Bond Insurance (BAM - 22.4 bps)	11,081.14
	<hr/>
	155,517.39

Other Uses of Funds:

Additional Proceeds	196.80
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3,661,577.98



SUMMARY OF REFUNDING RESULTS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Dated Date	06/01/2015
Delivery Date	06/30/2015
Arbitrage yield	3.420755%
Escrow yield	0.702563%
Value of Negative Arbitrage	92,280.10
Bond Par Amount	3,625,000.00
True Interest Cost	3.493147%
Effective Interest Cost	3.385685%
Net Interest Cost	3.485410%
All-In TIC	3.891578%
Average Coupon	3.371859%
Average Life	10.735
Par amount of refunded bonds	3,310,000.00
Average coupon of refunded bonds	5.524921%
Average life of refunded bonds	11.445
PV of prior debt to 06/30/2015 @ 3.891578%	3,805,735.58
Net PV Savings	308,959.02
Percentage savings of refunded bonds	9.334109%
Percentage savings of refunding bonds	8.523007%



BOND SUMMARY STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Dated Date	06/01/2015
Delivery Date	06/30/2015
Last Maturity	06/01/2033
Arbitrage Yield	3.420755%
True Interest Cost (TIC)	3.493147%
Net Interest Cost (NIC)	3.485410%
All-In TIC	3.891578%
Average Coupon	3.371859%
Average Life (years)	10.735
Duration of issue (years)	8.862
Par Amount	3,625,000.00
Bond Proceeds	3,623,577.98
Total Interest	1,321,937.50
Net Interest	1,366,454.80
Bond Years from Dated Date	39,205,000.00
Bond Years from Delivery Date	38,912,986.11
Total Debt Service	4,946,937.50
Maximum Annual Debt Service	324,346.88
Average Annual Debt Service	275,547.24
Underwriter's Fees (per \$1000)	
Average Takedown	4.370345
Management Fee	2.000000
Underwriting Fee	0.750000
Other Fee	2.206897
Total Underwriter's Discount	9.327241
Bid Price	98.771937

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	3,625,000.00	99.705	3.372%	10.735	3,099.10
	3,625,000.00			10.735	3,099.10

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,625,000.00	3,625,000.00	3,625,000.00
+ Accrued Interest	9,284.03	9,284.03	9,284.03
+ Premium (Discount)	-10,706.05	-10,706.05	-10,706.05
- Underwriter's Discount	-33,811.25	-33,811.25	
- Cost of Issuance Expense		-110,625.00	
- Other Amounts		-11,081.14	-11,081.14
Target Value	3,589,766.73	3,468,060.59	3,612,496.84
Target Date	06/30/2015	06/30/2015	06/30/2015
Yield	3.493147%	3.891578%	3.420755%



SAVINGS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 06/30/2015 @ 3.8915780%
12/31/2015	90,415.00	38,000.00	52,415.00	57,625.00	9,284.03	48,340.97	4,074.03	3,548.20
12/31/2016	180,830.00		180,830.00	154,850.00		154,850.00	25,980.00	24,464.04
12/31/2017	249,080.00		249,080.00	223,350.00		223,350.00	25,730.00	23,318.43
12/31/2018	250,455.00		250,455.00	226,100.00		226,100.00	24,355.00	21,220.49
12/31/2019	251,580.00		251,580.00	228,750.00		228,750.00	22,830.00	19,120.11
12/31/2020	252,455.00		252,455.00	230,675.00		230,675.00	21,780.00	17,532.50
12/31/2021	335,848.75		335,848.75	310,650.00		310,650.00	25,198.75	19,611.19
12/31/2022	336,623.75		336,623.75	314,200.00		314,200.00	22,423.75	16,765.42
12/31/2023	336,505.00		336,505.00	312,525.00		312,525.00	23,980.00	17,306.56
12/31/2024	335,480.00		335,480.00	310,700.00		310,700.00	24,780.00	17,249.27
12/31/2025	338,755.00		338,755.00	313,650.00		313,650.00	25,105.00	16,851.07
12/31/2026	336,330.00		336,330.00	311,221.88		311,221.88	25,108.13	16,247.60
12/31/2027	343,080.00		343,080.00	318,168.75		318,168.75	24,911.25	15,541.19
12/31/2028	343,730.00		343,730.00	319,218.75		319,218.75	24,511.25	14,742.10
12/31/2029	343,400.00		343,400.00	319,593.75		319,593.75	23,806.25	13,805.69
12/31/2030	347,080.00		347,080.00	324,346.88		324,346.88	22,733.13	12,713.10
12/31/2031	344,770.00		344,770.00	318,375.00		318,375.00	26,395.00	14,248.56
12/31/2032	200,812.50		200,812.50	174,656.25		174,656.25	26,156.25	13,605.29
12/31/2033	200,362.50		200,362.50	178,281.25		178,281.25	22,081.25	11,068.21
	5,417,592.50	38,000.00	5,379,592.50	4,946,937.50	9,284.03	4,937,653.47	441,939.03	308,959.02

Savings Summary

PV of savings from cash flow	308,959.02
Net PV Savings	308,959.02



BOND PRICING

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2016	40,000	2.000%	0.650%	101.235
	06/01/2017	110,000	2.000%	1.100%	101.704
	06/01/2018	115,000	2.000%	1.550%	101.279
	06/01/2019	120,000	2.000%	1.850%	100.563
	06/01/2020	125,000	3.000%	2.050%	104.422
	06/01/2021	210,000	3.000%	2.300%	103.852
	06/01/2022	220,000	3.000%	2.500%	103.157
	06/01/2023	225,000	3.000%	2.750%	101.766
	06/01/2024	230,000	3.000%	3.000%	100.000
	06/01/2025	240,000	3.000%	3.100%	99.150
	06/01/2026	245,000	3.125%	3.250%	98.856
	06/01/2027	260,000	3.250%	3.500%	97.578
	06/01/2028	270,000	3.500%	3.650%	98.463
	06/01/2029	280,000	3.500%	3.750%	97.305
	06/01/2030	295,000	3.625%	3.800%	98.018
	06/01/2031	300,000	3.750%	3.850%	98.815
	06/01/2032	165,000	3.750%	3.900%	98.152
	06/01/2033	175,000	3.750%	3.950%	97.446
		3,625,000			

Dated Date	06/01/2015	
Delivery Date	06/30/2015	
First Coupon	12/01/2015	
Par Amount	3,625,000.00	
Original Issue Discount	-10,706.05	
Production	3,614,293.95	99.704661%
Underwriter's Discount	-33,811.25	-0.932724%
Purchase Price	3,580,482.70	98.771937%
Accrued Interest	9,284.03	
Net Proceeds	3,589,766.73	

CALL PROVISIONS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Call Table: CALL

Call Date	Call Price
06/01/2023	100.00

Call Provisions Setup

Bond Component	Call Table	Callable Dates
Serial Bonds	CALL	Any Date



COST OF ISSUANCE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Cost of Issuance	\$/1000	Amount
Attorney General Fee	1.00000	3,625.00
Bond Counsel	10.00000	36,250.00
Financial Advisor	10.00000	36,250.00
Rating	3.03448	11,000.00
Printing	1.37931	5,000.00
Paying/Escrow Agent	1.37931	5,000.00
Verification Agent	0.82759	3,000.00
Escrow Securities Bidding Agent	0.82759	3,000.00
Miscellaneous	2.06897	7,500.00
	30.51724	110,625.00

UNDERWRITER'S DISCOUNT

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Underwriter's Discount	\$/1000	Amount
Average Takedown	4.37034	15,842.50
Management Fee	2.00000	7,250.00
Underwriter's Counsel	2.20690	8,000.00
Expense	0.75000	2,718.75
	9.32724	33,811.25



BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Dated Date 06/01/2015
Delivery Date 06/30/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/31/2015			57,625.00	57,625.00	57,625.00
06/30/2016	40,000	2.000%	57,625.00	97,625.00	
12/31/2016			57,225.00	57,225.00	154,850.00
06/30/2017	110,000	2.000%	57,225.00	167,225.00	
12/31/2017			56,125.00	56,125.00	223,350.00
06/30/2018	115,000	2.000%	56,125.00	171,125.00	
12/31/2018			54,975.00	54,975.00	226,100.00
06/30/2019	120,000	2.000%	54,975.00	174,975.00	
12/31/2019			53,775.00	53,775.00	228,750.00
06/30/2020	125,000	3.000%	53,775.00	178,775.00	
12/31/2020			51,900.00	51,900.00	230,675.00
06/30/2021	210,000	3.000%	51,900.00	261,900.00	
12/31/2021			48,750.00	48,750.00	310,650.00
06/30/2022	220,000	3.000%	48,750.00	268,750.00	
12/31/2022			45,450.00	45,450.00	314,200.00
06/30/2023	225,000	3.000%	45,450.00	270,450.00	
12/31/2023			42,075.00	42,075.00	312,525.00
06/30/2024	230,000	3.000%	42,075.00	272,075.00	
12/31/2024			38,625.00	38,625.00	310,700.00
06/30/2025	240,000	3.000%	38,625.00	278,625.00	
12/31/2025			35,025.00	35,025.00	313,650.00
06/30/2026	245,000	3.125%	35,025.00	280,025.00	
12/31/2026			31,196.88	31,196.88	311,221.88
06/30/2027	260,000	3.250%	31,196.88	291,196.88	
12/31/2027			26,971.88	26,971.88	318,168.75
06/30/2028	270,000	3.500%	26,971.88	296,971.88	
12/31/2028			22,246.88	22,246.88	319,218.75
06/30/2029	280,000	3.500%	22,246.88	302,246.88	
12/31/2029			17,346.88	17,346.88	319,593.75
06/30/2030	295,000	3.625%	17,346.88	312,346.88	
12/31/2030			12,000.00	12,000.00	324,346.88
06/30/2031	300,000	3.750%	12,000.00	312,000.00	
12/31/2031			6,375.00	6,375.00	318,375.00
06/30/2032	165,000	3.750%	6,375.00	171,375.00	
12/31/2032			3,281.25	3,281.25	174,656.25
06/30/2033	175,000	3.750%	3,281.25	178,281.25	
12/31/2033					178,281.25
	3,625,000		1,321,937.50	4,946,937.50	4,946,937.50



SUMMARY OF BONDS REFUNDED

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2008:					
Term Bond 2019	06/01/2017	5.000%	70,000.00	07/07/2015	100.000
	06/01/2018	5.000%	75,000.00	07/07/2015	100.000
	06/01/2019	5.000%	80,000.00	07/07/2015	100.000
Term Bond 2023	06/01/2020	5.000%	85,000.00	07/07/2015	100.000
	06/01/2021	5.000%	90,000.00	07/07/2015	100.000
	06/01/2022	5.000%	90,000.00	07/07/2015	100.000
	06/01/2023	5.000%	95,000.00	07/07/2015	100.000
Term Bond 2027	06/01/2024	5.000%	100,000.00	07/07/2015	100.000
	06/01/2025	5.000%	105,000.00	07/07/2015	100.000
	06/01/2026	5.000%	110,000.00	07/07/2015	100.000
	06/01/2027	5.000%	120,000.00	07/07/2015	100.000
Term Bond 2031	06/01/2028	5.200%	125,000.00	07/07/2015	100.000
	06/01/2029	5.200%	130,000.00	07/07/2015	100.000
	06/01/2030	5.200%	140,000.00	07/07/2015	100.000
	06/01/2031	5.200%	145,000.00	07/07/2015	100.000
			1,560,000.00		
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2009:					
Term Bond 2022	06/01/2021	5.250%	85,000.00	06/01/2017	100.000
	06/01/2022	5.250%	95,000.00	06/01/2017	100.000
Term Bond 2031	06/01/2023	6.000%	100,000.00	06/01/2017	100.000
	06/01/2024	6.000%	105,000.00	06/01/2017	100.000
	06/01/2025	6.000%	115,000.00	06/01/2017	100.000
	06/01/2026	6.000%	120,000.00	06/01/2017	100.000
	06/01/2027	6.000%	130,000.00	06/01/2017	100.000
	06/01/2028	6.000%	140,000.00	06/01/2017	100.000
	06/01/2029	6.000%	150,000.00	06/01/2017	100.000
	06/01/2030	6.000%	160,000.00	06/01/2017	100.000
	06/01/2031	6.000%	170,000.00	06/01/2017	100.000
Term Bond 2033	06/01/2032	5.500%	185,000.00	06/01/2017	100.000
	06/01/2033	5.500%	195,000.00	06/01/2017	100.000
			1,750,000.00		
			3,310,000.00		



PRIOR BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			90,415.00	90,415.00	
12/31/2015					90,415.00
06/01/2016			90,415.00	90,415.00	
12/01/2016			90,415.00	90,415.00	
12/31/2016					180,830.00
06/01/2017	70,000	5.000%	90,415.00	160,415.00	
12/01/2017			88,665.00	88,665.00	
12/31/2017					249,080.00
06/01/2018	75,000	5.000%	88,665.00	163,665.00	
12/01/2018			86,790.00	86,790.00	
12/31/2018					250,455.00
06/01/2019	80,000	5.000%	86,790.00	166,790.00	
12/01/2019			84,790.00	84,790.00	
12/31/2019					251,580.00
06/01/2020	85,000	5.000%	84,790.00	169,790.00	
12/01/2020			82,665.00	82,665.00	
12/31/2020					252,455.00
06/01/2021	175,000	** %	82,665.00	257,665.00	
12/01/2021			78,183.75	78,183.75	
12/31/2021					335,848.75
06/01/2022	185,000	** %	78,183.75	263,183.75	
12/01/2022			73,440.00	73,440.00	
12/31/2022					336,623.75
06/01/2023	195,000	** %	73,440.00	268,440.00	
12/01/2023			68,065.00	68,065.00	
12/31/2023					336,505.00
06/01/2024	205,000	** %	68,065.00	273,065.00	
12/01/2024			62,415.00	62,415.00	
12/31/2024					335,480.00
06/01/2025	220,000	** %	62,415.00	282,415.00	
12/01/2025			56,340.00	56,340.00	
12/31/2025					338,755.00
06/01/2026	230,000	** %	56,340.00	286,340.00	
12/01/2026			49,990.00	49,990.00	
12/31/2026					336,330.00
06/01/2027	250,000	** %	49,990.00	299,990.00	
12/01/2027			43,090.00	43,090.00	
12/31/2027					343,080.00
06/01/2028	265,000	** %	43,090.00	308,090.00	
12/01/2028			35,640.00	35,640.00	
12/31/2028					343,730.00
06/01/2029	280,000	** %	35,640.00	315,640.00	
12/01/2029			27,760.00	27,760.00	
12/31/2029					343,400.00
06/01/2030	300,000	** %	27,760.00	327,760.00	
12/01/2030			19,320.00	19,320.00	
12/31/2030					347,080.00
06/01/2031	315,000	** %	19,320.00	334,320.00	
12/01/2031			10,450.00	10,450.00	
12/31/2031					344,770.00
06/01/2032	185,000	5.500%	10,450.00	195,450.00	
12/01/2032			5,362.50	5,362.50	
12/31/2032					200,812.50
06/01/2033	195,000	5.500%	5,362.50	200,362.50	
12/31/2033					200,362.50
	3,310,000		2,107,592.50	5,417,592.50	5,417,592.50



FORM 8038 STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Dated Date 06/01/2015
 Delivery Date 06/30/2015

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Serial Bonds:						
	06/01/2016	40,000.00	2.000%	101.235	40,494.00	40,000.00
	06/01/2017	110,000.00	2.000%	101.704	111,874.40	110,000.00
	06/01/2018	115,000.00	2.000%	101.279	116,470.85	115,000.00
	06/01/2019	120,000.00	2.000%	100.563	120,675.60	120,000.00
	06/01/2020	125,000.00	3.000%	104.422	130,527.50	125,000.00
	06/01/2021	210,000.00	3.000%	103.852	218,089.20	210,000.00
	06/01/2022	220,000.00	3.000%	103.157	226,945.40	220,000.00
	06/01/2023	225,000.00	3.000%	101.766	228,973.50	225,000.00
	06/01/2024	230,000.00	3.000%	100.000	230,000.00	230,000.00
	06/01/2025	240,000.00	3.000%	99.150	237,960.00	240,000.00
	06/01/2026	245,000.00	3.125%	98.856	242,197.20	245,000.00
	06/01/2027	260,000.00	3.250%	97.578	253,702.80	260,000.00
	06/01/2028	270,000.00	3.500%	98.463	265,850.10	270,000.00
	06/01/2029	280,000.00	3.500%	97.305	272,454.00	280,000.00
	06/01/2030	295,000.00	3.625%	98.018	289,153.10	295,000.00
	06/01/2031	300,000.00	3.750%	98.815	296,445.00	300,000.00
	06/01/2032	165,000.00	3.750%	98.152	161,950.80	165,000.00
	06/01/2033	175,000.00	3.750%	97.446	170,530.50	175,000.00
		3,625,000.00			3,614,293.95	3,625,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	06/01/2033	3.750%	170,530.50	175,000.00		
Entire Issue			3,614,293.95	3,625,000.00	10.6573	3.4208%

Proceeds used for accrued interest	9,284.03
Proceeds used for bond issuance costs (including underwriters' discount)	144,436.25
Proceeds used for credit enhancement	11,081.14
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	1,529,908.00
Proceeds used to advance refund prior issues	1,928,671.76
Remaining weighted average maturity of the bonds to be currently refunded	9.8585
Remaining weighted average maturity of the bonds to be advance refunded	12.8594



FORM 8038 STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2008:					
TERM19	06/01/2017	70,000.00	5.000%	100.000	70,000.00
TERM19	06/01/2018	75,000.00	5.000%	100.000	75,000.00
TERM19	06/01/2019	80,000.00	5.000%	100.000	80,000.00
TERM23	06/01/2020	85,000.00	5.000%	100.000	85,000.00
TERM23	06/01/2021	90,000.00	5.000%	100.000	90,000.00
TERM23	06/01/2022	90,000.00	5.000%	100.000	90,000.00
TERM23	06/01/2023	95,000.00	5.000%	100.000	95,000.00
TERM27	06/01/2024	100,000.00	5.000%	100.000	100,000.00
TERM27	06/01/2025	105,000.00	5.000%	100.000	105,000.00
TERM27	06/01/2026	110,000.00	5.000%	100.000	110,000.00
TERM27	06/01/2027	120,000.00	5.000%	100.000	120,000.00
TERM31	06/01/2028	125,000.00	5.200%	100.000	125,000.00
TERM31	06/01/2029	130,000.00	5.200%	100.000	130,000.00
TERM31	06/01/2030	140,000.00	5.200%	100.000	140,000.00
TERM31	06/01/2031	145,000.00	5.200%	100.000	145,000.00
		<u>1,560,000.00</u>			<u>1,560,000.00</u>
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2009:					
TERM22	06/01/2021	85,000.00	5.250%	100.000	85,000.00
TERM22	06/01/2022	95,000.00	5.250%	100.000	95,000.00
TERM31	06/01/2023	100,000.00	6.000%	100.000	100,000.00
TERM31	06/01/2024	105,000.00	6.000%	100.000	105,000.00
TERM31	06/01/2025	115,000.00	6.000%	100.000	115,000.00
TERM31	06/01/2026	120,000.00	6.000%	100.000	120,000.00
TERM31	06/01/2027	130,000.00	6.000%	100.000	130,000.00
TERM31	06/01/2028	140,000.00	6.000%	100.000	140,000.00
TERM31	06/01/2029	150,000.00	6.000%	100.000	150,000.00
TERM31	06/01/2030	160,000.00	6.000%	100.000	160,000.00
TERM31	06/01/2031	170,000.00	6.000%	100.000	170,000.00
TERM33	06/01/2032	185,000.00	5.500%	100.000	185,000.00
TERM33	06/01/2033	195,000.00	5.500%	100.000	195,000.00
		<u>1,750,000.00</u>			<u>1,750,000.00</u>
		<u>3,310,000.00</u>			<u>3,310,000.00</u>

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2008	07/07/2015	12/01/2014	9.8585
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2009	06/01/2017	12/01/2014	12.8594
All Refunded Issues	06/01/2017		11.4451



PROOF OF ARBITRAGE YIELD

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
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Date	Debt Service	Present Value to 06/30/2015 @ 3.4207547707%
12/01/2015	57,625.00	56,810.98
06/01/2016	97,625.00	94,627.45
12/01/2016	57,225.00	54,535.16
06/01/2017	167,225.00	156,684.76
12/01/2017	56,125.00	51,703.11
06/01/2018	171,125.00	154,991.72
12/01/2018	54,975.00	48,954.77
06/01/2019	174,975.00	153,193.56
12/01/2019	53,775.00	46,289.20
06/01/2020	178,775.00	151,300.64
12/01/2020	51,900.00	43,185.31
06/01/2021	261,900.00	214,258.93
12/01/2021	48,750.00	39,211.44
06/01/2022	268,750.00	212,530.56
12/01/2022	45,450.00	35,337.96
06/01/2023	270,450.00	206,742.31
12/01/2023	42,075.00	31,622.87
06/01/2024	272,075.00	201,048.34
12/01/2024	38,625.00	28,061.77
06/01/2025	278,625.00	199,022.14
12/01/2025	35,025.00	24,597.68
06/01/2026	280,025.00	193,351.52
12/01/2026	31,196.88	21,178.57
06/01/2027	291,196.88	194,360.03
12/01/2027	26,971.88	17,699.71
06/01/2028	296,971.88	191,604.21
12/01/2028	22,246.88	14,112.16
06/01/2029	302,246.88	188,504.19
12/01/2029	17,346.88	10,636.90
06/01/2030	312,346.88	188,306.72
12/01/2030	12,000.00	7,112.87
06/01/2031	312,000.00	181,824.63
12/01/2031	6,375.00	3,652.69
06/01/2032	171,375.00	96,541.73
12/01/2032	3,281.25	1,817.36
06/01/2033	178,281.25	97,082.90
	4,946,937.50	3,612,496.84

Proceeds Summary

Delivery date	06/30/2015
Par Value	3,625,000.00
Accrued interest	9,284.03
Premium (Discount)	-10,706.05
Arbitrage expenses	-11,081.14
Target for yield calculation	3,612,496.84

ESCROW REQUIREMENTS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final, Verified Numbers
 NBQ A2 with Insurance

Period Ending	Interest	Principal Redeemed	Total
07/07/2015	7,908.00	1,560,000.00	1,567,908.00
12/01/2015	50,875.00		50,875.00
06/01/2016	50,875.00		50,875.00
12/01/2016	50,875.00		50,875.00
06/01/2017	50,875.00	1,750,000.00	1,800,875.00
	211,408.00	3,310,000.00	3,521,408.00



ESCROW DESCRIPTIONS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Type of Security	CUSIP or ID	Maturity Date	Par Amount	Rate	Yield	Interest Price	Interest Class	Interest Frequency	Interest Day Basis
Jun 30, 2015:									
TBill	912796FG9	11/12/2015	2,000		0.052%	99.980860	Discount	Semiannual	ACT/ACT
TBond	912828PJ3	11/30/2015	44,000	1.375%	0.103%	100.531540	Periodic	Semiannual	ACT/ACT
TBond	912828QP8	05/31/2016	44,000	1.750%	0.315%	101.314320	Periodic	Semiannual	ACT/ACT
Agency	3135G0ES8	11/15/2016	45,000	1.375%	0.587%	101.077550	Periodic	Semiannual	30/360
Agency	3130A5DD8	05/26/2017	1,790,000	0.720%	0.713%	100.013656	Periodic	Semiannual	30/360
			1,925,000						



ESCROW COST

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Type of Security	Maturity Date	Par Amount	Rate	Yield	Price	Cost	Accrued Interest	Total Cost
TBill	11/12/2015	2,000		0.051759%	99.980860	1,999.62		1,999.62
TBond	11/30/2015	44,000	1.375%	0.102811%	100.531540	44,233.88	49.59	44,283.47
TBond	05/31/2016	44,000	1.750%	0.315029%	101.314320	44,578.30	63.11	44,641.42
Agency	11/15/2016	45,000	1.375%	0.586874%	101.077550	45,484.90	77.34	45,562.24
Agency	05/26/2017	1,790,000	0.720%	0.712720%	100.013656	1,790,244.44	1,217.20	1,791,461.64
		1,925,000				1,926,541.14	1,407.25	1,927,948.38

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
06/30/2015	1,927,948.38	1,568,631.38	3,496,579.76
	1,927,948.38	1,568,631.38	3,496,579.76



ESCROW CASH FLOW

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Date	Principal	Interest	Net Escrow Receipts
11/12/2015	2,000.00		2,000.00
11/15/2015		309.38	309.38
11/26/2015		6,444.00	6,444.00
11/30/2015	44,000.00	687.50	44,687.50
05/15/2016		309.38	309.38
05/26/2016		6,444.00	6,444.00
05/31/2016	44,000.00	385.00	44,385.00
11/15/2016	45,000.00	309.38	45,309.38
11/26/2016		6,444.00	6,444.00
05/26/2017	1,790,000.00	6,444.00	1,796,444.00
	1,925,000.00	27,776.63	1,952,776.63

Escrow Cost Summary

Purchase date 06/30/2015
Purchase cost of securities 1,927,948.38



ESCROW SUFFICIENCY

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
06/30/2015		1,568,631.38	1,568,631.38	1,568,631.38
07/07/2015	1,567,908.00		-1,567,908.00	723.38
11/12/2015		2,000.00	2,000.00	2,723.38
11/15/2015		309.38	309.38	3,032.76
11/26/2015		6,444.00	6,444.00	9,476.76
11/30/2015		44,687.50	44,687.50	54,164.26
12/01/2015	50,875.00		-50,875.00	3,289.26
05/15/2016		309.38	309.38	3,598.63
05/26/2016		6,444.00	6,444.00	10,042.63
05/31/2016		44,385.00	44,385.00	54,427.63
06/01/2016	50,875.00		-50,875.00	3,552.63
11/15/2016		45,309.38	45,309.38	48,862.01
11/26/2016		6,444.00	6,444.00	55,306.01
12/01/2016	50,875.00		-50,875.00	4,431.01
05/26/2017		1,796,444.00	1,796,444.00	1,800,875.01
06/01/2017	1,800,875.00		-1,800,875.00	0.01
	3,521,408.00	3,521,408.01	0.01	



ESCROW STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Current Refunding:							
DSF	38,000.00				37,974.95		25.05
BP	1,529,908.00				1,528,899.32		1,008.68
Advanced Refunding:							
	1,928,671.76	1.818	0.702563%	0.696050%	1,835,318.25	92,280.10	1,073.41
	3,496,579.76				3,402,192.52	92,280.10	2,107.14

Delivery date 06/30/2015
Arbitrage yield 3.420755%

Exhibit "F"

CERTIFICATE OF SUCCESSFUL BIDDER

[To be attached hereto]

EXHIBIT B

CERTIFICATE OF MARKET SECURITIES PROVIDER

Walter FAYO Securities, LLC the "Securities Provider") is the provider of certain Governmental Obligations (the "Securities") purchased in connection with the issuance of the Brushy Creek Municipal Utility District (the "Issuer") Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"). Capitalized terms used herein and not otherwise defined have the meaning given to such terms in the No-Arbitrage Certificate to which this certificate is attached. I, the undersigned, hereby certify as follows on behalf of the Securities Provider:

1. I am the duly chosen, qualified and acting officer of the Securities Provider for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Securities Provider. I am the officer of the Securities Provider charged, along with other officers of the Securities Provider, with responsibility for the transactions described herein.
2. As of the date on which the Securities Provider's bid was made and accepted, the cost of the Securities (determined net of broker's fees, if any) was not greater than the cost of reasonably comparable investments, if any, offered by the Securities Provider to other persons involving the investment of a source of funds other than gross proceeds of an issue of tax-exempt bonds. A copy of the bid submitted by the Securities Provider is attached hereto.
3. The bid submitted by the Securities Provider was (i) determined without consultation with another potential provider, (ii) determined without regard to any other formal or informal agreement with the Issuer or any other person (whether or not in connection with the issuance of the Bonds), and (iii) not submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements of Section 1.148-5(d)(6)(iii)(B)(1) or (2) of the Regulations, including the requirement of obtaining at least three bids.
4. The Securities Provider (i) is regularly engaged in providing investments of the type purchased, and (ii) is a reasonably competitive provider of investments of the type purchased.
5. No administrative costs will be, or are expected to be, paid by the Securities Provider in connection with the Securities. For purposes of the preceding sentence, "administrative costs" include any brokerage commission paid with respect to the Securities (including any interest payments on the Securities retained by a broker) and any costs paid by or on behalf of the Issuer for brokerage or selling commissions, legal and accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and similar costs and expenses.
6. Neither the Securities Provider nor any person related thereto has any material financial interest in the Bonds. Neither the Securities Provider nor any person related thereto

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

acted as lead underwriter in connection with the Bonds, nor as financial advisor in connection with the Securities or bidding thereon. The Securities Provider did not participate in the structuring of the Bond transaction, including without limitation, the determination of the amount of bonds to be refunded, the size of the refunding escrow, or the manner in which the escrow is to be invested.

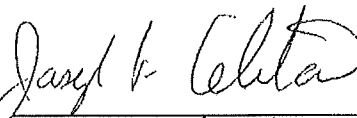
The Issuer is hereby authorized to rely on the statements made herein in connection with making the representations set forth in the No-Arbitrage Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. McCall, Parkhurst & Horton L.L.P. is hereby authorized to rely on this certificate for purposes of their opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

EXECUTED on this 27 day of MM, 2015.

By:

Name:

Title:



JOSEPH P. CELANTANO

VICE PRESIDENT

Exhibit "G"

BROKER CERTIFICATE

[To be attached hereto]

Farr, Miller & Washington • LLC
I N V E S T M E N T C O U N S E L

TO: McCall, Parkhurst & Horton L.L.P.
717 North Harwood, 9th Floor
Dallas, Texas 75201

RE: BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "Issuer")
Sendero Springs & Cornerstones Defined Area
Unlimited Tax Refunding Bonds, Series 2015

**BROKER CERTIFICATE AS TO MARKET PRICE
RELATING TO UNITED STATES TREASURY OBLIGATIONS**

The undersigned, Farr, Miller & Washington, LLC (the "Broker"), hereby certifies that we acted as broker for purposes of soliciting the United States Treasury Obligations (the "Securities") at the purchase prices specified on Schedule "A" (the "Purchase Price") in connection with the captioned bonds. We certify to the best of our knowledge information and belief:

1. We, on behalf of the Issuer, have made a bona fide solicitation for the purchase of the Securities and received at least three bona fide bids from providers who had no material financial interest in the captioned bonds (e.g., as underwriter or financial advisor). The written material (the "Request for Bid") distributed in connection with the solicitation of the Securities was distributed to all bidders in a timely manner. None of the bidders were given an opportunity to review other bids before bidding or to submit a bid which is equal to the best bid otherwise received.
2. The Broker is not related to any person or entity from whom a bid was solicited.
3. All of the material terms for the solicitation of the Securities were included in the Request for Bid. Based on our experience, it is our opinion that such terms are commercially reasonable.
4. The Purchase Price received represents the successful bid which is the highest yield or lowest cost offered in connection with qualified bids (including broker's fees). Attached to this Certificate as Schedule "B" are the Request for Bids, the names of all persons and entities submitting a bid, the time and date each bid was received and the results of the bid process.
5. The Purchase Price has been determined without regard to any formal or informal arrangement (whether or not in connection with the bonds) with the Issuer or any other person. The Purchase Price represents the fair market value of the Securities on and were determined on an arm's length basis which does not reflect any payment of an amount in order to reduce or increase the yield. The Purchase Price are not greater or less than they would have been in an arm's length transaction in the open market between parties not involved in the transactions relating to the issuance of the tax-exempt obligations.
6. The Purchase Price has not been adjusted for the payment of any administrative costs or costs incurred in connection with the purchase and sale of the Securities, such as Broker's fee or selling commissions. The Broker will be paid a fee directly by the Issuer of \$3,000.00 on June 30, 2015.

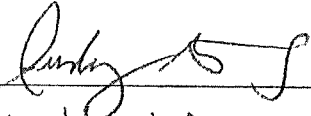
Farr, Miller & Washington • LLC

I N V E S T M E N T C O U N S E L

We understand that the Issuer and McCall, Parkhurst & Horton L.L.P. will rely upon this Certificate, among other things, in reaching a conclusion that the yield on the Securities does not result in the Bonds being "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the Broker has signed this Certificate this 30th day of June, 2015.

Farr, Miller & Washington, LLC



ANDREW A. MATHES

Farr, Miller & Washington • LLC

I N V E S T M E N T C O U N S E L

Schedule "A"

United States Treasury Obligations



Branch Code **Account Code**

1AA 00014

Your Representative

Doug Safford

WELLS FARGO SECURITIES, LLC
100 W WASHINGTON ST
PHOENIX, AZ 85003-1808

Phone

602/378-4002

WELLS FARGO SECURITIES, LLC
C/O WACHOVIA CAPITAL MARKETS, LLC
ATTN: MIDDLE OFFICE (NC 0600)
ONE WACHOVIA CENTER-8TH FL
INTEROFFICE NC 00000

TRANSACTION DETAIL

ACTIVITY	SHARES/PAR	CUSIP	TRANSACTION NUMBER	TRADE DATE	SETTLEMENT DATE
You Bought	2,000.00	912796FG9	36300380	05/27/2015	06/30/2015
PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRAILER DESCRIPTION	
99.980860	1,999.62	0.00	1,999.62	Brushy	
SECURITY DESCRIPTION		YIELD	COUPON	MATURITY DATE	ISSUE DATE
UST TBILL 11/12		0.052	0	11/12/2015	11/13/2014

This account summary was prepared by your Wells Fargo Securities representative and is not a substitute for your monthly statement or trade confirmation. Prices and yields are current as of the date of this summary and are subject to change and availability; past performance is no guarantee of future results. Municipal leases are shown at their par value. Any rating provided for a municipal lease investment is a rating associated with the lessee, and does not constitute a rating of the lease investment itself.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC, a member of NYSE, FINRA and SIPC, Wells Fargo Institutional Securities, LLC, a member of FINRA and SIPC, and Wells Fargo Bank, National Association. Wells Fargo Securities, LLC carries and provides clearing services for Wells Fargo Institutional Securities, LLC customer accounts.

Investments: - NOT FDIC insured - May lose value - No bank guarantee



Branch Code **Account Code**

1AA 00014

Your Representative

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ATTN: MIDDLE OFFICE (NC 0600)
ONE WACHOVIA CENTER-8TH FL
INTEROFFICE NC 00000

TRANSACTION DETAIL

ACTIVITY	SHARES/PAR	CUSIP	TRANSACTION NUMBER	TRADE DATE	SETTLEMENT DATE
You Bought	44,000.00	912828PJ3	36300385	05/27/2015	06/30/2015
PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRAILER DESCRIPTION	
100.531540	44,233.88	49.59	44,283.47	Brushy	
SECURITY DESCRIPTION		YIELD	COUPON	MATURITY DATE	ISSUE DATE
UST 1.375 11/15		0.103	1.375	11/30/2015	11/30/2010

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Branch Code **Account Code**

1AA 00014

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C/O WACHOVIA CAPITAL MARKETS, LLC
ATTN: MIDDLE OFFICE (NC 0600)
ONE WACHOVIA CENTER-8TH FL
INTEROFFICE NC 00000

TRANSACTION DETAIL

ACTIVITY	SHARES/PAR	CUSIP	TRANSACTION NUMBER	TRADE DATE	SETTLEMENT DATE
You Bought	44,000.00	912828QP8	36300386	05/27/2015	06/30/2015
PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRAILER DESCRIPTION	
101.314320	44,578.30	63.11	44,641.41	Brushy	
SECURITY DESCRIPTION	YIELD	COUPON	MATURITY DATE	ISSUE DATE	
UST 1.75 5/16	0.315	1.75	05/31/2016	05/31/2011	

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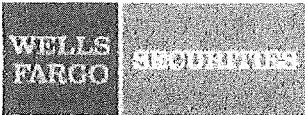
TRANSACTION DETAIL

ACTIVITY	SHARES/PAR	CUSIP	TRANSACTION NUMBER	TRADE DATE	SETTLEMENT DATE
You Bought	45,000.00	3135G0ES8	36300388	05/27/2015	06/30/2015
PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRAILER DESCRIPTION	
101.077550	45,484.90	77.34	45,562.24	Brushy	
SECURITY DESCRIPTION		YIELD	COUPON	MATURITY DATE	ISSUE DATE
FNMA 1.375 11/16		0.587	1.375	11/15/2016	10/20/2011

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Branch Code **Account Code**
 1AA 00014

Your Representative

Doug Safford

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 C/O WACHOVIA CAPITAL MARKETS, LLC
 ATTN: MIDDLE OFFICE (NC 0600)
 ONE WACHOVIA CENTER-8TH FL
 INTEROFFICE NC 00000

TRANSACTION DETAIL

ACTIVITY	SHARES/PAR	CUSIP	TRANSACTION NUMBER	TRADE DATE	SETTLEMENT DATE
You Bought	1,790,000.00	3130A5DD8	36300390	05/27/2015	06/30/2015
PRICE	PRINCIPAL	INTEREST	NET AMOUNT	TRAILER DESCRIPTION	
100.013656	1,790,244.44	1217.20	1,791,461.64	Brushy	
SECURITY DESCRIPTION		YIELD	COUPON	MATURITY DATE	ISSUE DATE
FHLB 0.72 05/17		0.713	0.72	05/26/2017	05/07/2015

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Investments: - NOT FDIC insured - May lose value - No bank guarantee

DES
 FANNIE MAE FNMA 1 ³/₈ 11/16 101.225/101.225 (0.487/0.487) TRAC

FNMA 1 ³/₈ 11/15/16 Corp Page 1/11 Description: Bond

94) Notes 95) Buy 96) Sell 97) Settings

21) Bond Description	22) Issuer Description		Identifiers	
Pages	Issuer Information		ID Number	EI8464022
1) Bond Info	Name	FANNIE MAE	CUSIP	3135G0ES8
2) Addtl Info	Industry	Government Agencies	ISIN	US3135G0ES80
3) Covenants	Security Information		Bond Ratings	
4) Guarantors	Mkt Iss	US Domestic	Moody's	Aaa
5) Bond Ratings	Country	US	Currency	USD
6) Identifiers	Rank	Unsecured	Series	
7) Exchanges	Coupon	1.375	Type	Fixed
8) Inv Parties	Cpn Freq	S/A	Iss Price	99.77600
9) Fees, Restrict	Day Cnt	30/360	Issuance & Trading	
10) Schedules	Maturity	11/15/2016	Amt Issued/Outstanding	
11) Coupons	BULLET		USD	4,075,000.00 (M) /
Quick Links	Iss Sprd	39.00bp vs T 1 09/30/16	USD	4,075,000.00 (M)
32) ALLQ Pricing	Calc Type	(1) STREET CONVENTION	Min Piece/Increment	
33) QRD Quote Recap	Announcement Date	10/18/2011	2,000.00 / 1,000.00	
34) TDH Trade Hist	Interest Accrual Date	10/20/2011	Par Amount	1,000.00
35) CACSCorp Action	1st Settle Date	10/20/2011	Book Runner	BCLY,DB,JPM
36) CF Prospectus	1st Coupon Date	11/15/2011	Reporting	TRACE
37) CN Sec News				
38) HDS Holders				
39) VPR Underly Info				
66) Send Bond				

DES
 FED HOME LN BANK FHLB 0.72 05/17 99.980/99.980 (0.730/0.730) TRAC

FHLB 0.72 05/26/17 Corp Page 1/11 Description: Bond

Data not provided by Bloomb... 94) Notes 95) Buy 96) Sell 97) Settings

21) Bond Description	22) Issuer Description		
Pages	Issuer Information	Identifiers	
1) Bond Info	Name FEDERAL HOME LOAN BANK	ID Number	EK8984297
2) Addtl Info	Industry Government Agencies	CUSIP	3130A5DD8
3) Covenants	Security Information	ISIN	US3130A5DD87
4) Guarantors	Mkt Iss US Domestic	Bond Ratings	
5) Bond Ratings	Country US Currency USD	Moody's	Aaa
6) Identifiers	Rank Unsecured Series 0000	S&P	AA+
7) Exchanges	Coupon 0.72 Type Fixed	Composite	AA+
8) Inv Parties	Cpn Freq S/A	Issuance & Trading	
9) Fees, Restrict	Day Cnt 30/360 Iss Price 100.00000	Amt Issued/Outstanding	
10) Schedules	Maturity 05/26/2017	USD	100,000.00 (M) /
11) Coupons	BULLET	USD	100,000.00 (M)
Quick Links	Iss Sprd	Min Piece/Increment	
32) ALLQ Pricing	Calc Type (1)STREET CONVENTION	10,000.00 / 5,000.00	
33) QRD Quote Recap	Announcement Date 05/05/2015	Par Amount	5,000.00
34) TDH Trade Hist	Interest Accrual Date 05/07/2015	Book Runner	WFS-sole
35) CACSCorp Action	1st Settle Date 05/07/2015	Reporting	TRACE
36) CF Prospectus	1st Coupon Date 05/26/2015		
37) CN Sec News	Security created by firm WELLS FARGO SECURITIES LLC		
38) HDS Holders			
39) VPR Underly Info			
66) Send Bond			

Farr, Miller & Washington • LLC

INVESTMENT COUNSEL

Schedule "B"

Providers that received the Request for Bid:

PNC Capital Markets LLC	Deutsche Bank	William Blair
BB&T Capital Markets	Mesirow Financial	Vining Sparks
Cantor Fitzgerald	Robert W Baird & Co., Inc,	Commerzbank AG
Citibank	First Southwest	Wells Fargo Securities
Credit Suisse		

Bids Received – May 27, 2015

Firm	Time (ET)	Cost
BB&T Capital Markets – Will Ferrell	2:58	\$ 1,930,403.08
Wells Fargo Securities – Doug Safford	2:58	\$ 1,928,671.74
Credit Suisse – Chris Patronis	3:00	\$ 1,930,740.33
PNC Capital Markets – Bob Djourup	3:00	\$ 1,931,409.56

Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance

OFFER FORM

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
OFFERS FOR ESCROW DEFEASANCE**

We hereby submit our competitive offer representing the offering price we are willing to sell a portfolio of Eligible Securities in accordance with the attached Request for Offers, subject to all the terms and conditions stated in such Request for Offers and any final agreement.

Email OFFER to Andy Mathes
At Farr, Miller & Washington, LLC, (amathes@farrmiller.com)

Pricing Date: 1:52 P.M. Eastern Time on May 27, 2015*
Settlement Date: June 30, 2015 (securities must be delivered by noon ET)

Net Cost of Portfolio: EXHIBIT A \$ 1,930,740.33
(Including accrued interest and any required initial cash deposit)

Firm: Credit Suisse Sec (USA) LLC

By: Chris Robinson

Date: 5/27/15

Accepted By: _____
Brushy Creek Municipal Utility District

Date: _____

OFFER FORM

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
OFFERS FOR ESCROW DEFEASANCE**

We hereby submit our competitive offer representing the offering price we are willing to sell a portfolio of Eligible Securities in accordance with the attached Request for Offers, subject to all the terms and conditions stated in such Request for Offers and any final agreement.

Email OFFER to Andy Mathes
At Farr, Miller & Washington, LLC, (amathes@farmiller.com)

Pricing Date: 3:00 P.M. Eastern Time on May 27, 2015*
Settlement Date: June 30, 2015 (securities must be delivered by noon ET)

Net Cost of Portfolio: EXHIBIT A \$ 1,931,409.56
(Including accrued interest and any required initial cash deposit)

Firm: PNC CAPITAL MARKETS LLC

By: [Signature]

Date: May 27 2015

Accepted By: _____
Brushy Creek Municipal Utility District

Date: _____

* subject to change

OFFER FORM

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
OFFERS FOR ESCROW DEFEASANCE

We hereby submit our competitive offer representing the offering price we are willing to sell a portfolio of Eligible Securities in accordance with the attached Request for Offers, subject to all the terms and conditions stated in such Request for Offers and any final agreement.

Email OFFER to Andy Mathes
At Farr, Miller & Washington, LLC, (amathes@farmiller.com)

Pricing Date: 3:00 P.M. Eastern Time on May 27, 2015*
Settlement Date: June 30, 2015 (securities must be delivered by noon ET)

Net Cost of Portfolio: EXHIBIT A \$ 1,930,403.08
(Including accrued interest and any required initial cash deposit)

Firm: BBV

By: Will Feneel

Date: 5/27/15

Accepted By: _____
Brushy Creek Municipal Utility District

Date: _____

* subject to change

OFFER FORM

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
OFFERS FOR ESCROW DEFEASANCE**

We hereby submit our competitive offer representing the offering price we are willing to sell a portfolio of Eligible Securities in accordance with the attached Request for Offers, subject to all the terms and conditions stated in such Request for Offers and any final agreement.

Email OFFER to Andy Mathes
At Farr, Miller & Washington, LLC, (amathes@farrmiller.com)

Pricing Date: 1:52 P.M. Eastern Time on May 27, 2015*
Settlement Date: June 30, 2015 (securities must be delivered by noon ET)

Net Cost of Portfolio: EXHIBIT A \$ 1,928,671.74
(Including accrued interest and any required initial cash deposit)

Firm: WELLS FARGO SECURITIES, LLC

By: Joseph P. Celestani

Date: 5/27/15

Accepted By: _____
Brushy Creek Municipal Utility District

Date: _____

EXHIBIT B

CERTIFICATE OF MARKET SECURITIES PROVIDER

Wesley FAYO SEVIERE, III the "Securities Provider") is the provider of certain Governmental Obligations (the "Securities") purchased in connection with the issuance of the Brushy Creek Municipal Utility District (the "Issuer") Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"). Capitalized terms used herein and not otherwise defined have the meaning given to such terms in the No-Arbitrage Certificate to which this certificate is attached. I, the undersigned, hereby certify as follows on behalf of the Securities Provider:

1. I am the duly chosen, qualified and acting officer of the Securities Provider for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Securities Provider. I am the officer of the Securities Provider charged, along with other officers of the Securities Provider, with responsibility for the transactions described herein.
2. As of the date on which the Securities Provider's bid was made and accepted, the cost of the Securities (determined net of broker's fees, if any) was not greater than the cost of reasonably comparable investments, if any, offered by the Securities Provider to other persons involving the investment of a source of funds other than gross proceeds of an issue of tax-exempt bonds. A copy of the bid submitted by the Securities Provider is attached hereto.
3. The bid submitted by the Securities Provider was (i) determined without consultation with another potential provider, (ii) determined without regard to any other formal or informal agreement with the Issuer or any other person (whether or not in connection with the issuance of the Bonds), and (iii) not submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements of Section 1.148-5(d)(6)(iii)(B)(1) or (2) of the Regulations, including the requirement of obtaining at least three bids.
4. The Securities Provider (i) is regularly engaged in providing investments of the type purchased, and (ii) is a reasonably competitive provider of investments of the type purchased.
5. No administrative costs will be, or are expected to be, paid by the Securities Provider in connection with the Securities. For purposes of the preceding sentence, "administrative costs" include any brokerage commission paid with respect to the Securities (including any interest payments on the Securities retained by a broker) and any costs paid by or on behalf of the Issuer for brokerage or selling commissions, legal and accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and similar costs and expenses.
6. Neither the Securities Provider nor any person related thereto has any material financial interest in the Bonds. Neither the Securities Provider nor any person related thereto

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

acted as lead underwriter in connection with the Bonds, nor as financial advisor in connection with the Securities or bidding thereon. The Securities Provider did not participate in the structuring of the Bond transaction, including without limitation, the determination of the amount of bonds to be refunded, the size of the refunding escrow, or the manner in which the escrow is to be invested.

The Issuer is hereby authorized to rely on the statements made herein in connection with making the representations set forth in the No-Arbitrage Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. McCall, Parkhurst & Horton L.L.P. is hereby authorized to rely on this certificate for purposes of their opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

EXECUTED on this 27 day of MM, 2015.

By: _____

Name: _____

Title: _____

Joseph F. Celentano

JOSEPH F. CELENTANO

PIERSON

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

DATE: May 27, 2015
TO: Escrow Securities Providers
FROM: Andy Mathes; Phone: (202) 530-0828 Fax: (901) 730-0913
amathes@farrmiller.com
BID TIME: 3:00 P.M. Eastern Time on May 27, 2015*

\$3,535,000*
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas, located within Williamson County)
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX
REFUNDING BONDS, SERIES 2015 (THE "BONDS")

1. Escrow Agent: Wells Fargo Bank, National Association, Dallas, Texas
2. Verification Agent: The verification agent (Grant Thornton LLP) will provide a report to the District and the Escrow Agent as to the sufficiency of the cash flow of the escrow to defease the refunded bonds. Substitutions replacements and exchanges if permitted will require additional verification (at Provider's expense). See Section 9 hereof concerning such substitutions.
3. Fund Type: Escrow Defeasance Portfolio for outstanding refunded bonds (the "Escrow Defeasance Portfolio").
4. Settlement Date: Guaranteed Delivery; June 30, 2015*. Delivery *must be* completed by 11:00 AM Eastern Time of such delivery date.
5. Escrow Requirements: The attached "Exhibit A" shows the Escrow Payment Requirements and Payment Dates for the Escrow Defeasance Portfolio.
6. Eligible Securities: The District will receive offers for U.S. Treasury Notes/Bonds/Bills/Strips Aaa rated Refcorp Interest Strips, Aaa rated bullet non-callable agency obligations issued by FHLB/FNMA/FFCB/GNMA/FHLMC (the rating must be specifically assigned to any securities placed in the Escrow Defeasance Portfolio) provided that they are not CMOs or MBS issues and not subject to prepayments (the "Eligible Securities"). The Provider will supply the Verification Agent, the District, and the Escrow Agent with copies of written confirmations of the Eligible Securities on the next business day following the award.
7. Escrow Structure: Providers are required to deliver the Escrow Defeasance Portfolio composed of the Eligible Securities that when combined with an initial deposit by the District will provide, without substitution, sufficient cash flow to pay the Escrow Requirements in "Exhibit A" hereof. The Escrow

* *subject to change*

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

Agent will accept from the Provider on a DVP basis, the Escrow Defeasance Portfolio (other than any initial cash deposit) for a purchase price equal to the amount offered by the Provider (not including any initial cash deposit).

8. Initial Escrow Deposit: The District will provide the initial cash deposit and it should be included as a separate line item in the "Cost of Portfolio" on the Offer Form.

9. Delivery Substitutions: No substitutions will be permitted, except to temporarily provide for any initial failure to deliver securities comprising the Escrow Defeasance Portfolio. The Provider will automatically warrant and guarantee by submitting an offer hereunder to deliver an initial Escrow Defeasance Portfolio and/or cash sufficient to meet the escrow requirements in "Exhibit A" hereof. At closing, Provider must deliver the Eligible Securities submitted under Section 6 hereof, or deliver a temporary substitution limited to cash in an amount equal to the total maturing principal and interest to maturity of the security that the Provider has failed to deliver versus the same purchase price. In the event of a temporary substitution, the Provider may reverse the substitution in whole or in part by delivering the intended Eligible Securities to the Escrow Agent no later than 15 business days subsequent to the original Settlement Date. Such Eligible Securities would need to be wired free. Upon receipt the Escrow Agent would be instructed to wire the cash in excess of the purchase price of the securities of the securities delivered after closing to the Provider. In the event of a substitution, a substitution fee will be required from the Provider in order to cover additional costs of the Verification Agent, capped at \$5,000.

10. Provider Requirements: Providers have been pre-qualified. More than three reasonably competitive Providers have been solicited for this Escrow Defeasance Portfolio.

11. Bid Parameters: The Escrow Defeasance Portfolio will be purchased from the Provider that offers to sell the Escrow Defeasance Portfolio to the District at the lowest cost, including accrued interest and the initial cash deposit on the settlement date. The award is subject to verification of escrow sufficiency by the Verification Agent. In the event of tie offers, the winning Provider will be the one that was received first by the Bidding Agent. The District reserves the right to reject any and all offers and waive any irregularities associated with any offer.

12. Bid Submittal: Bids are to be emailed to Andy Mathes at Farr, Miller & Washington, LLC (amathes@farmiller.com) by 3:00 P.M. Eastern Time on May 27, 2015*. An indication to the apparent lowest cost Escrow Defeasance Portfolio is expected to be made promptly following receipt of all bids. Questions may be directed to Andy Mathes at (202) 530-0828.

13. Documentation: The winning Provider shall submit copies of written confirmations of the

* *subject to change*

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

purchase of the Eligible Securities to be included in the Escrow Defeasance Portfolio to the District, Escrow Agent, Verification Agent, McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”) to the District and Farr, Miller & Washington, LLC on the next business day following the award.

14. Provider Representation: Any Provider submitting an offer acknowledges and represents the following: (a) the Provider had sufficient time to formulate an offer and received these offer specifications in a timely manner; (b) these offer specifications include all material terms of the offer; (c) the submission of an offer is a representation that the Provider did not consult with any other potential Provider about its offer, that the offer was determined without regard to any other formal or informal agreement that the potential Provider has with the District or any other person (whether or not in connection with the Bonds) and that the offer is not being submitted solely as a courtesy to the District or any other person for the purposes of satisfying the requirement to obtain a minimum number of offers of any type or from any class of providers as set forth in Treasury Reg. Sec 1.148-5(d)(6)(iii)(B)(1) or (2); (d) the Provider did not have the opportunity to review other offers (i.e. a last look) before providing an offer; (e) the Provider is a reasonably competitive Provider for the type of securities being solicited; (f) the Provider has not paid and will not pay any administrative cost (including costs or expenses paid directly or indirectly to purchase, carry, sell or retire investments) to or for the benefit of the District, Farr, Miller & Washington, LLC, Robert W. Baird & Co. or any other person known by the Provider to be involved with the issuance or sale of the Bonds (and other than as disclosed by the Provider to the District prior to settlement); and (g) the Provider has no financial interest in the Bonds (e.g., as lead underwriter for the Bonds, financial advisor to the District, etc.) and is not a related party to a person or entity that has a financial interest in the Bonds.
15. Provider Certificate The winning Provider will be required to execute a certificate substantially in the form attached as Exhibit B hereof and provide an executed original of such certificate to Bond Counsel.
16. Escrow Fee Farr, Miller & Washington will be paid a fee directly by the District for securing offers for the defeasance escrow.
17. Failure to Close Closing of the Escrow Defeasance Portfolio is contingent on the closing of the Bonds and proceeds of the Bonds are the only source of payment for the Escrow Defeasance Portfolio.

**EXHIBIT A
Escrow Requirements & Escrow Defeasance Portfolio**

Debt Service Requirements

<u>Payment Date</u>	<u>Debt Service*</u>
6/30/2015	-
12/1/2015	50,875.00
6/1/2016	50,875.00
12/1/2016	50,875.00
6/1/2017	1,800,875.00
	<hr/>
	1,953,500.00
	<hr/>

* *subject to change*

OFFER FORM

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
OFFERS FOR ESCROW DEFEASANCE**

We hereby submit our competitive offer representing the offering price we are willing to sell a portfolio of Eligible Securities in accordance with the attached Request for Offers, subject to all the terms and conditions stated in such Request for Offers and any final agreement.

**Email OFFER to Andy Mathes
At Farr, Miller & Washington, LLC, (amathes@farrmiller.com)**

Pricing Date: 3:00 P.M. Eastern Time on May 27, 2015*

Settlement Date: June 30, 2015 (securities must be delivered by noon ET)

**Net Cost of Portfolio: EXHIBIT A \$ _____
(Including accrued interest and any required initial cash deposit)**

Firm: _____

By: _____

Date: _____

Accepted By: _____
Brushy Creek Municipal Utility District

Date: _____

EXHIBIT B

CERTIFICATE OF MARKET SECURITIES PROVIDER

_____ the “Securities Provider”) is the provider of certain Governmental Obligations (the “Securities”) purchased in connection with the issuance of the Brushy Creek Municipal Utility District (the “Issuer”) Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the “Bonds”). Capitalized terms used herein and not otherwise defined have the meaning given to such terms in the No-Arbitrage Certificate to which this certificate is attached. I, the undersigned, hereby certify as follows on behalf of the Securities Provider:

1. I am the duly chosen, qualified and acting officer of the Securities Provider for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Securities Provider. I am the officer of the Securities Provider charged, along with other officers of the Securities Provider, with responsibility for the transactions described herein.
2. As of the date on which the Securities Provider’s bid was made and accepted, the cost of the Securities (determined net of broker’s fees, if any) was not greater than the cost of reasonably comparable investments, if any, offered by the Securities Provider to other persons involving the investment of a source of funds other than gross proceeds of an issue of tax-exempt bonds. A copy of the bid submitted by the Securities Provider is attached hereto.
3. The bid submitted by the Securities Provider was (i) determined without consultation with another potential provider, (ii) determined without regard to any other formal or informal agreement with the Issuer or any other person (whether or not in connection with the issuance of the Bonds), and (iii) not submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements of Section 1.148-5(d)(6)(iii)(B)(1) or (2) of the Regulations, including the requirement of obtaining at least three bids.
4. The Securities Provider (i) is regularly engaged in providing investments of the type purchased, and (ii) is a reasonably competitive provider of investments of the type purchased.
5. No administrative costs will be, or are expected to be, paid by the Securities Provider in connection with the Securities. For purposes of the preceding sentence, “administrative costs” include any brokerage commission paid with respect to the Securities (including any interest payments on the Securities retained by a broker) and any costs paid by or on behalf of the Issuer for brokerage or selling commissions, legal and accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and similar costs and expenses.
6. Neither the Securities Provider nor any person related thereto has any material financial interest in the Bonds. Neither the Securities Provider nor any person related thereto

*Brushy Creek Municipal Utility District
Request for Offers for Escrow Defeasance*

acted as lead underwriter in connection with the Bonds, nor as financial advisor in connection with the Securities or bidding thereon. The Securities Provider did not participate in the structuring of the Bond transaction, including without limitation, the determination of the amount of bonds to be refunded, the size of the refunding escrow, or the manner in which the escrow is to be invested.

The Issuer is hereby authorized to rely on the statements made herein in connection with making the representations set forth in the No-Arbitrage Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. McCall, Parkhurst & Horton L.L.P. is hereby authorized to rely on this certificate for purposes of their opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

EXECUTED on this ____ day of _____, 20__.

By: _____
Name: _____
Title: _____

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6687
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

June 2, 2015

Regina Velasquez
Wells Fargo Corporate Trust Services
625 Marquette Avenue, 11th Floor
Minneapolis, Minnesota 55479
MACN9311-115
(612) 667-647

Re: Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Refunded Bonds") and Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Refunded Bonds" together with the Series 2008 Refunded Bonds, the "Refunded Bonds")

Dear Regina:

Enclosed please find a copy of the order ("Bond Order") authorizing **Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Unlimited Tax Refunding Bonds, Series 2015** (the "Bonds") and the orders authorizing the captioned bonds (the "Refunded Bonds") which Wells Fargo Bank, N.A. ("Wells Fargo") serves as Paying Agent/Registrar.

This letter and its enclosures are intended to serve as notice to Wells Fargo, as Paying Agent/Registrar for the Refunded Bonds, that certain of said Refunded Bonds have been called for redemption by the Brushy Creek Municipal Utility District as set forth in the Bond Order authorizing the Bonds. You are authorized and directed to take such steps as may be necessary to redeem the Refunded Bonds as provided in the orders authorizing their issuance. You will need to provide notice to the bondholders of the redemption **prior to June 7, 2015** for the Series 2008 Refunded Bonds and their redemption date of **July 7, 2015** and after the closing on June 30, 2015 but at least 30 days before the redemption date of June 1, 2017 for the Series 2009 Refunded Bonds.

Please acknowledge receipt of this letter, your agreement to provide the requested services and that arrangements for the payment of all future paying agency services with respect to the Refunded Bonds have been made and that Wells Fargo will continue to perform paying agency services for such Refunded Bonds until redemption by executing an enclosed copy hereof and return it to me.

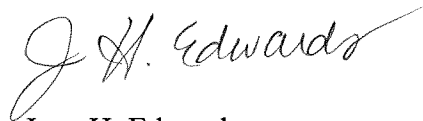
Wells Fargo Bank, N.A.
Page 2

Please note that the attached 2009 bond order has an error on the first optional redemption date. The correct first optional redemption date is June 1, 2017.

If you should have any questions, please do not hesitate to call me at your earliest convenience.

Very truly yours,

McCall, Parkhurst & Horton L.L.P.



Jana H. Edwards

WELLS FARGO BANK, N.A.

By:  _____

Date: 6/4/15

NOTICES OF DEFEASANCE/REDEMPTION

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2008, a portion of the outstanding obligations maturing on June 1 in each of the years 2019, 2023, 2027 and 2031, aggregating \$1,560,000 in principal amount.

<u>Original CUSIP Number*</u>	<u>Maturity June 1</u>	<u>Prior Principal Amount Outstanding</u>	<u>Principal Amount Being Defeased and Redeemed⁽¹⁾</u>	<u>Principal Amount Outstanding After Defeasance⁽²⁾</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>New CUSIP Number* for Redeemed Portion</u>	<u>New CUSIP Number* for Non-Redeemed Portion</u>
117464JB4	2019	\$295,000	\$225,000	\$70,000	5.000%	7/7/2015	117464SN8	117464SP3

⁽¹⁾ Represents a partial redemption of the term bond maturing on June 1, 2019. The amount of such maturity being redeemed is being applied to redeem in full the June 1, 2017 sinking fund redemption of \$70,000, the June 1, 2018 sinking fund redemption of \$75,000 and the June 1, 2019 sinking fund redemption of \$80,000.

⁽²⁾ Represents the June 1, 2016 sinking fund redemption remaining outstanding.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP*</u>
2023	\$360,000	5.000	July 7, 2015	117464JF5
2027	435,000	5.000	July 7, 2015	117464JK4
2031	540,000	5.200	July 7, 2015	117464JP3

Due provision for the payment of the above-described obligations has been made with Wells Fargo Bank, N.A. (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

First Class Certified
Wells Fargo Bank, NA
Corporate Trust Operations
MAC N9303-12
PO BOX 1517
Minneapolis, MN 55480

Overnight & Courier
Wells Fargo Bank, NA
Corporate Trust Services, 12th Floor
MAC N9303-121
6th & Marquette Ave.
Minneapolis, MN 55479

In Person
Northstar East Building
Corporate Trust Operations
608 2nd Avenue South
Minneapolis, MN

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

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA**

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2009, a portion of the outstanding obligations maturing on June 1 in each of the years 2022, 2031 and 2033, aggregating \$1,750,000 in principal amount.

<u>Original CUSIP Number*</u>	<u>Maturity June 1</u>	<u>Prior Principal Amount Outstanding</u>	<u>Principal Amount Being Defeased and Redeemed⁽¹⁾</u>	<u>Principal Amount Outstanding After Defeasance⁽²⁾</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>New CUSIP Number* for Redeemed Portion</u>	<u>New CUSIP Number* for Non-Redeemed Portion</u>
117464KB2	2022	\$405,000	\$180,000	\$225,000	5.250%	6/1/2017	117464SQ1	117464SR9

⁽¹⁾ Represents a partial redemption of the term bond maturing on June 1, 2022. The amount of such maturity being redeemed is being applied to redeem in full the June 1, 2021 sinking fund redemption of \$85,000 and the June 1, 2022 sinking fund redemption of \$95,000.

⁽²⁾ Represents the June 1, 2018 sinking fund redemption of \$70,000, the June 1, 2019 sinking fund redemption of \$75,000 and the June 1, 2020 sinking fund redemption of \$80,000 remaining outstanding.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP*</u>
2031	1,190,000	6.000	June 1, 2017	117464KL0
2033	380,000	5.500	June 1, 2017	117464KN6

Due provision for the payment of the above-described obligations has been made with Wells Fargo Bank, N.A. (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

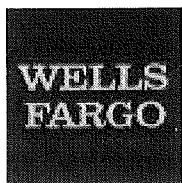
First Class Certified	Overnight & Courier	In Person
Wells Fargo Bank, NA	Wells Fargo Bank, NA	Northstar East Building
Corporate Trust Operations	Corporate Trust Services, 12 th Floor	Corporate Trust Operations
MAC N9303-12	MAC N9303-121	608 2 nd Avenue South
PO BOX 1517	6 th & Marquette Ave.	Minneapolis, MN
Minneapolis, MN 55480	Minneapolis, MN 55479	

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

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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



Wells Fargo Bank, N.A.
Corporate Trust Services

Certified Copy of General Signature
Resolution Relating to Execution
of Written Instruments

I, Jeffrey K. Carlson, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America (the "Bank"), hereby certify that:

The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and that no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate, and that the resolutions remain in full force and effect on the date hereof:

RESOLVED, that agreements, instruments, or other documents, including amendments and modifications thereto, relating to or affecting the property or business and affairs of the Bank, whether acting for its own account or in a fiduciary or other representative capacity, may be executed in its name by the persons hereinafter authorized;

FURTHER RESOLVED, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;

A. Executive Officers

FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President and any Executive Officer of the Bank, acting alone, may execute agreements, guaranties, instruments or other documents which such officer may deem necessary, proper or expedient to the conduct of the business of the Bank;

B. Vice Presidents and Above

FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President and any Vice President, acting alone, may execute on behalf of the Bank:

Deeds, leases, assignments, bills of sale, purchase agreements and other instruments of conveyance to purchase, sell, lease or sublease to or from a third party real property, or any interest therein, for the Bank's own account; provided, however, that such agreements, instruments and other documents may also be signed as hereinafter provided with respect to real property acquired by the Bank in connection with collateral for a loan.

Bonds of indemnity and powers of attorney; provided, however, that proxies to vote stock in a corporation or to vote other interests in other legal entities and stock and bond powers may also be signed as hereinafter provided.

C. Signing Officers

FURTHER RESOLVED, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:

* * *

Receipts for any funds or other property paid or delivered to the Bank.

Guaranties of signatures, whether appearing as endorsements of bonds, certificates of stock, or other securities, including without limitation medallion guaranties provided in connection with a medallion stamp, or otherwise.

* * *

Agreements and proposals to provide services to or receive services from third parties.

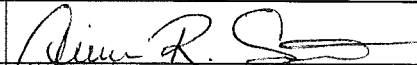

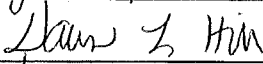
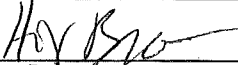
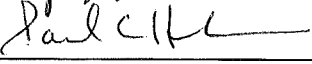
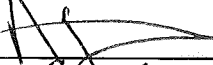

* * *

Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in


another similar capacity; and certificates of cancellation and
 cremation of stocks, bonds, debentures or other securities.

FURTHER RESOLVED, that the signature of the Secretary or of
 any Assistant Secretary of the Bank shall be required to certify any resolution
 adopted by the Board of Directors of the Bank or any committee thereof, the
 incumbency, title or signature of any officer of the Bank and any designation of
 authority under these resolutions or otherwise, and the Secretary or any
 Assistant Secretary of the Bank may also certify any records or other documents
 created in the ordinary course of the business of the Bank.

I further certify that on the date below, the following named persons were duly
 appointed, qualified and acting Signing Officers of Wells Fargo Bank, N.A., that their
 correct title and genuine signature appears beside their name, and that on said date they were
 duly authorized to act on behalf of the bank as set forth in the foregoing resolution:

NAME	TITLE	SIGNATURE
Andrea R. Scott	Asst Vice President	
Angela M. Weidell-Labathe	Vice President	
Dawn L. Hill	Vice President	
Hiedy Broten	Asst Vice President	
Paul C. Hoek	Vice President	
Regina A. Velasquez	Asst Vice President	
Scott R. Little	Vice President	

IN WITNESS WHEREOF, I have hereunto signed my name this _____.



 Jeffrey K. Carlson
 Assistant Secretary

*** Redacted {indicates portions of the resolutions have intentionally been omitted because the
 sections are not relevant to the transaction for which this certification has been requested.}

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

June 30, 2015

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,625,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on May 14, 2015, authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the Order (collectively, the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, 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 Sendero Springs and Cornerstone Defined Area 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. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that 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 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Grant Thornton LLP and certain representations of the District, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income

for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District 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 the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

McCall, Parkhurst & Horton L.L.P.

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

June 30, 2015

Build America Mutual Assurance Company
1 World Financial Center, 27th Floor
200 Liberty Street
New York, New York 10281

Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero
Springs and Cornerstone Defined Area Unlimited Tax Refunding
Bonds, Series 2015

Ladies and Gentlemen:

This letter is to advise you that, as the issuer of the municipal bond insurance policy (the "Policy") which secures the payment of principal and interest on the referenced Bonds (the "Bonds"), you may rely on our Bond Counsel opinion dated the date hereof with respect to the Bonds as if you were a holder of the Bonds. This letter provides that only you may rely upon our Bond Counsel opinion, and only in connection with the transaction to which reference is made above and may not be relied upon by any other person for any purposes whatsoever without our prior written consent.

We render no opinion, however, as to the proper federal income tax treatment of any payment made to you by the Issuer in respect of the Policy as constituting "interest" within the meaning of section 61 of the Code.

Very truly yours,

McCall, Parkhurst & Horton L.L.P.

LAW OFFICES

MCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
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700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

June 30, 2015

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681-2506

Raymond James & Associates, Inc.
5956 Sherry Lane, Suite 1900
Dallas, Texas 75225

**Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero
Springs and Cornerstone Defined Area Unlimited Tax
Refunding Bonds, Series 2015**

Ladies and Gentlemen:

In reference to the issuance and sale of the above described bonds (the "Bonds"), we have served as Bond Counsel for Brushy Creek Municipal Utility District (the "District") and, in such capacity, prepared the Order (the "Order") authorizing the issuance of the Bonds, adopted by the Board of Directors of the District on May 14, 2015, which also approved and authorized the distribution of the Official Statement dated May 27, 2015 relating to the Bonds, (the "Official Statement") and approved and authorized the execution of the Escrow Agreement dated June 1, 2015 (the "Escrow Agreement"), the Pricing Certificate of the Pricing Officer dated May 27, 2015 (the "Pricing Certificate") and the Bond Purchase Agreement, dated May 27, 2015 relating to the Bonds by and between the District and Raymond James & Associates, Inc.

We have examined such documents and satisfied ourselves as to such matters as we have deemed necessary in order to enable us to express the opinions set forth below.

The Order and Pricing Certificate have been duly adopted and are in full force and effect.

The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the

public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Order under the Trust Indenture Act of 1939, as amended.

We have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements and information contained in the Official Statement, but we have reviewed the information contained under the captions "THE BONDS (except DTC Redemption Provision, Book-Entry-Only System, and Payment Record)," "PLAN OF FINANCING (except Use and Distribution of Bond Proceeds, Remaining Outstanding Bonds, and Sources and Uses of Funds)," "THE DISTRICT – General," and "– Management of the District –Bond Counsel," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions" (insofar as such section relates to the opinion of Bond Counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION (except Compliance with Prior Undertakings)," contained in the Official Statement and it is our opinion that the information therein fairly and accurately summarize the matters purported to be summarized therein and are correct as to matters of law, and the descriptions of the Order and the Bonds in the Official Statement present a fair description for the purposes intended.

Based on said examination, it is our opinion that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance with its terms and that the Refunded Bonds, as defined in the Pricing Certificate, are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the verification report of Grant Thornton LLP as to the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purpose of paying such Refunded Bonds.

This letter is furnished to the addressees solely for your benefit and no other party is entitled to rely hereon.

Very truly yours,

McCall, Packhurst & Horton LLP

COATS | ROSE

June 30, 2015

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Raymond James & Associates, Inc.
5847 San Felipe, Suite 4125
Houston, Texas 77057

Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015

Ladies and Gentlemen:

We have acted as underwriter's counsel to the above referenced underwriter (the "Underwriter") purchasing from Brushy Creek Municipal Utility District (the "District") its \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"), pursuant to an Order adopted by the Board of Directors of the District, authorizing the issuance of the Bonds (the "Bond Order").

In our capacity as counsel to the Underwriter, we have participated in the preparation of the Preliminary Official Statement of the District, dated May 14, 2015, and the Official Statement of the District, dated May 27, 2015 (collectively referred to as the "Official Statement"). Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements or information contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of such statements or information. However, based on our review of the documents described above, our review of the documents, certificates, opinions and other instruments delivered at the closing, on the date hereof, of the sale of the Bonds, our understanding of applicable law and the experience we have gained in our practice thereunder, we advise you that no information came to our attention which causes us to believe that the Official Statement (except as to any financial data included therein, as to which we are not called upon to express any opinion or belief) as of its date, and as of this date, contained or contains any untrue statement of a material fact or omitted or omits 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.

COATS | ROSE | YALE | RYMAN | LEE
A Professional Corporation

9 Greenway Plaza, Suite 1100 Houston, Texas 77046

Phone: 713-651-0111 Fax: 713-651-0220

Web: www.coatsrose.com

Based upon our review of the Bond Order and other records of the District reviewed in connection with the preparation of the Official Statement, it is our opinion that it is reasonable for an underwriter of the Bonds to determine that an issuer of and/or obligated person with respect to the Bonds has made an undertaking in connection with the offering of the Bonds that complies with the provisions of paragraph (b)(5) of Rule 15c2-12 of the United States Securities and Exchange Commission.

Furthermore, based on the foregoing, subject to the qualifications set forth above and in reliance on the matters described herein, we are of the opinion that the offering and sale of the Bonds do not require the registration of any security under the Securities Act of 1933, as amended.

The foregoing opinions are related solely to the laws of the State of Texas and the laws of the United States of America, and no opinion is expressed herein as to any matter governed by the laws of any other jurisdiction. This opinion may be relied upon by the addressees hereof and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

*Coates, Rose, Yule,
Hyman & Lee, P.C.*



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

June 25, 2015

THIS IS TO CERTIFY that Brushy Creek Municipal Utility District (the "Issuer") has submitted the Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bond, Series 2015 (the "Bond"), in the principal amount of \$3,625,000, for approval. The Bond is dated June 1, 2015, numbered T-1, and was authorized by a Resolution of the Issuer passed on May 14, 2015 (the "Resolution").

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 any 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) In accordance with the provisions of the law, including an Escrow Agreement dated as of June 1, 2015, firm banking arrangements have been made for the discharge and final payment or redemption of the obligations being refunded upon deposit of an amount sufficient to pay said obligations when due.
- (3) The Bond is 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 Defined Area of the District.

Therefore, the Bond is approved.

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited
Tax Refunding Bond, Series 2015 - \$3,625,000

-Page 2-

The Comptroller is instructed that he may register the Bond without the cancellation of the underlying securities being refunded thereby.



Attorney General of the State of Texas

No. 58971
Book No. 2015-B
JCH

*See attached Signature Authorization

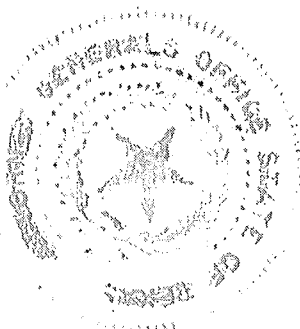
OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF TEXAS


§
§
§

I, KEN PAXTON, 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, district, 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 supersedes 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 5th day of January, 2015.




KEN PAXTON
Attorney General of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

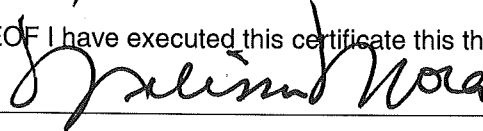
I, Melissa Mora, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 25th day of June 2015, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bond, Series 2015,

numbered T-1, dated June 1, 2015, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 25th day of June 2015.



I, Glenn Hegar, 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 85381.

GIVEN under my hand and seal of office at Austin, Texas, this the 25th day of June 2015.



GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, GLENN HEGAR, 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:

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bond, Series 2015

numbered T-1, of the denomination of \$ 3,625,000, dated June 1, 2015, 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 25th day of June 2015, under Registration Number 85381.

Given under my hand and seal of office, at Austin, Texas, the 25th day of June 2015.

A handwritten signature in black ink, appearing to read "Glenn Hegar", written in a cursive style.

GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas



Jan Bartholomew
Managing Director
Public Finance

Phone: 832-871-5295
Email: jbartholomew@rwbaird.com

June 26, 2015

Ms. Regina Velasquez
Wells Fargo Bank, N.A.
625 Marquette Avenue
MAC: N9311-115
Minneapolis, MN 55402

RE: \$3,625,000 Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015

Dear Regina:

The delivery of the above captioned bonds (the "Bonds") is scheduled for 10:00 a.m., Tuesday, June 30, 2015, at your bank. Ms. Carol Polumbo of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will handle all legal matters relating to the closing.

At or prior to closing the District will wire \$38,000.00 in immediately available funds from its Debt Service Fund and Raymond James & Associates, Inc ("Raymond James") will wire \$3,589,766.73 in immediately available funds for a total of to \$3,627,766.73:

Well Fargo Bank, N.A.
ABA: 121000248
A/C: [REDACTED]
Name: Corporate Trust Clearing
Attn: Regina Velasquez (612) 667-0647

The funds are calculated as follows:

Par Amount of the Bonds	\$3,625,000.00
Less: Net Discount	(10,706.05)
Less: Underwriter's Discount	(33,811.25)
Plus: Accrued Interest	9,284.03
Plus: Debt Service Fund Transfer	<u>38,000.00</u>
Total Amount to be Wired	<u>\$3,627,766.73</u>

Upon receipt of the total amount, Wells Fargo, N.A. ("Wells Fargo") will wire the immediately available funds as follows:

- \$3,501,579.76 will be retained by Wells Fargo for payment of Paying Agent Acceptance Fee (\$1,000.00), Paying Agent Administration Fee (\$1,000.00), Escrow Agent Acceptance Fee (\$1,000.00), Escrow Annual Fee (\$2,000.00), and to fund the Escrow Account (\$3,496,579.76).
- \$11,081.14 will be wired to Build America Mutual Assurance Company for the bond insurance premium, to the following account:

First Republic Bank
ABA # 321081669
Account Name: Build America Mutual Assurance Company
Account Number: [REDACTED]
Policy Number: 2015B0438
Attn: Nolan Miller 212-235-2511

3. \$9,284.03 of accrued interest is to be wired to the District's depository bank:

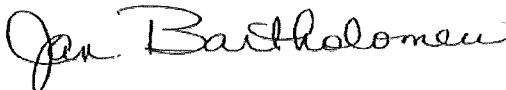
JP Morgan Chase
ABA No.: 113000609
C/O LOGIC Participant Services
Dallas, TX
BNF: LOGIC Investment Cooperative/ Account Number [REDACTED]
OBI: Brush Creek MUD 2006801013

4. \$105,821.80 is to be wired to the District's depository bank for cost of issuance expenses:

First Texas Bank
ABA 114903103
Account # [REDACTED]

If I may be of further assistance, please do not hesitate to contact me at 832-871-5295.

Sincerely,



Jan Bartholomew
Managing Director
ROBERT W. BAIRD & CO.

cc: Debi Jones – Raymond James & Associates, Inc.
Buddy Kempf – Raymond James & Associates, Inc.
Luke Mattson - Raymond James & Associates, Inc.
Carol Polumbo – McCall, Parkhurst & Horton L.L.P.
Linda Sharpe - McCall, Parkhurst & Horton L.L.P.
Angela Stepherson – Coats Rose Yale Ryman & Lee P.C.
Ashlee Martin – Maxwell Locke & Ritter LLP
Mike Petter – Brushy Creek Municipal Utility District
Nolan Miller – Build America Mutual Assurance Company
Andy Mathes - Farr, Miller & Washington, LLC
David LaFlamme – Grant Thornton

RECEIPT FOR PROCEEDS

**THE STATE OF TEXAS
WILLIAMSON COUNTY
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

§
§
§

The undersigned hereby certifies as follows:

- (a) This certificate is executed and delivered with reference to:

\$3,625,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds");

- (b) The undersigned is acting as Closing Agent on behalf of the Issuer of the Bonds;

- (c) The Bonds have been duly delivered to the purchaser thereof, namely:

RAYMOND JAMES & ASSOCIATES, INC.;

- (d) We acknowledge the transfers and deposits in accordance with the Closing Instruction Memorandum dated June 23, 2015 relating to the Bonds.

EXECUTED THIS 30th day of June, 2015.

WELLS FARGO BANK, N.A.

By:  _____
Title: _____ Assistant Vice President

Cash Flow and Yield Verification Report

Brushy Creek Municipal Utility District
(Williamson County, Texas)

June 30, 2015

Contents

Letter	
Exhibit A	Schedule of Sources and Uses of Funds
Exhibit B	Escrow Account Cash Flow
Exhibit B-1	Cash Receipts From and Yield on the Open-Market Securities
Exhibit B-2	Debt Service Payment on the 2008 Bonds
Exhibit B-3	Debt Service Payments on the 2009 Bonds
Exhibit C	Debt Service Payments and Yield on the Bonds
Exhibit C-1	Net Original Issue Discount on the Bonds
Appendix I	Applicable schedules provided by Robert W. Baird & Co. Incorporated



**Report of Independent Certified Public Accountants
On Applying Agreed-Upon Procedures**

Grant Thornton LLP
200 S 6th Street, Suite 1400
Minneapolis, MN 55402-1434
T 612.332.0001
F 612.332.8361
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

Brushy Creek Municipal Utility District
Williamson County, Texas

McCall, Parkhurst & Horton L.L.P.
600 Congress Avenue
Austin, Texas

Build America Mutual Assurance Company
200 Liberty Street, 27th Floor
New York, New York

Wells Fargo Bank, National Association
625 Marquette Avenue, 11th Floor
Minneapolis, Minnesota

Texas Attorney General's Office
300 West 15th Street, Seventh Floor
Austin, Texas

Robert W. Baird & Co. Incorporated
700 Milam, Suite 1300
Houston, Texas

Raymond James
5956 Sherry Lane, Suite 1900
Dallas, Texas

\$3,625,000

Brushy Creek Municipal Utility District
(A Political Subdivision of the State of Texas, located within Williamson County)
Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015
Dated June 1, 2015

We have performed the procedures described in this report, which were agreed to by Brushy Creek Municipal Utility District, Williamson County, Texas (the "District") and Robert W. Baird & Co. Incorporated (the "Financial Advisor"), to verify the mathematical accuracy of certain computations contained in the schedules attached in Appendix I provided by the Financial Advisor. The Financial Advisor is responsible for these schedules. These procedures were performed solely to assist you in the issuance of the above-captioned bond issue (the "Bonds") for the purpose of refunding portions of the District's outstanding Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "2008 Bonds") and Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "2009 Bonds") (collectively referred to as the "Refunded Bonds") as summarized on the next page. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the addressees of this report who are the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which this report has been requested or for any other purpose.

<u>Series</u>	<u>Principal Issued</u>	<u>Dated</u>	<u>Principal Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2008	\$2,020,000	January 1, 2008	\$1,560,000	6-1-19, 6-1-23, 6-1-27 and 6-1-31	7-7-15	100%
2009	\$2,365,000	July 1, 2009	\$1,750,000	6-1-22, 6-1-31 and 6-1-33	6-1-17	100%

VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Financial Advisor provided us with schedules (Appendix I) summarizing future escrow account cash receipts and disbursements. These schedules indicate that there will be sufficient cash available in the escrow account to pay the principal and interest on the Refunded Bonds assuming the 2008 Bonds will be redeemed on July 7, 2015 at 100 percent of par plus accrued interest and the 2009 Bonds will be redeemed on June 1, 2017 at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was compiled based upon information provided by the Financial Advisor.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B through B-3 independently calculating future escrow account cash receipts and disbursements and compared the information used in our calculations to the information listed below contained in applicable pages of the following documents:

- Trade confirmations provided by the Financial Advisor used to acquire certain United States Treasury Bills (the "T-Bills"), Notes (the "T-Notes"), Federal National Mortgage Association Notes (the "FNMA") and Federal Home Loan Bank Notes (the "FHLB") (collectively referred to as the "Open-Market Securities") insofar as the Open-Market Securities are described as to the principal amounts, interest rates, purchase prices and maturity dates; and
- Orders and Notices of Defeasance/Redemption for the Refunded Bonds provided by McCall, Parkhurst & Horton L.L.P. insofar as the Refunded Bonds are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption dates and price.

Our procedures, as summarized in Exhibits B through B-3, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing future escrow account cash receipts and disbursements. The schedules provided by the Financial Advisor and those prepared by us reflect that the anticipated receipts from the Open-Market Securities, together with an initial cash deposit of \$1,568,631.38 to be deposited into the escrow account on June 30, 2015, will be sufficient to pay, when due, the principal and interest related to the Refunded Bonds assuming the 2008 Bonds will be redeemed on July 7, 2015 at 100 percent of par plus accrued interest and the 2009 Bonds will be redeemed on June 1, 2017 at 100 percent of par plus accrued interest.

VERIFICATION OF YIELDS

The Financial Advisor provided us with schedules (Appendix I) which indicate that the yield on the cash receipts from the Open-Market Securities is less than the yield on the Bonds. These schedules were prepared based on the assumed settlement date of June 30, 2015 using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid or received on an obligation produces an amount equal to, in the case of the cash receipts from the Open-Market Securities, the purchase price, and in the case of the Bonds, the issue price to the public as represented by the underwriter and provided by the Financial Advisor adjusted for the bond insurance premium of \$11,081.14.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B-1 and C independently calculating the yields on (i) the cash receipts from the Open-Market Securities calculated on Exhibit B-1, and (ii) the Bonds using the Official Statement provided by the Financial Advisor insofar as the Bonds are described as to the maturity and interest payment dates, dated date, principal amounts, interest rates and issue price to the public. The results of our calculations, based on the aforementioned assumptions, are summarized below:

	<u>Yield</u>	<u>Exhibit</u>
• Yield on the cash receipts from the Open-Market Securities	0.702563%	B-1
• Yield on the Bonds	3.420755%	C

Our procedures, as summarized in Exhibits B-1 and C, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing the yields. The schedules provided by the Financial Advisor and those prepared by us reflect that the yield on the cash receipts from the Open-Market Securities is less than the yield on the Bonds.

* * * * *

We were not engaged to, and did not, conduct an examination or a review in accordance with attestation standards established by the American Institute of Certified Public Accountants, the objective of which would be the expression of an examination opinion or limited assurance on the items referred to above. Accordingly we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Minneapolis, Minnesota
June 30, 2015

Brushy Creek Municipal Utility District
(Williamson County, Texas)

SCHEDULE OF SOURCES AND USES OF FUNDS

June 30, 2015

SOURCES:

Principal amount of the Bonds	\$3,625,000.00
Accrued interest	9,284.03
Net original issue discount	(10,706.05)
Transfer from Debt Service Funds	38,000.00
	<hr/>
	<u>\$3,661,577.98</u>

USES:

Purchase price of the Open-Market Securities	\$1,927,948.38
Beginning cash deposit to the escrow account	1,568,631.38
Accrued interest	9,284.03
Costs of issuance	110,625.00
Underwriter's discount	33,811.25
Bond insurance premium	11,081.14
Contingency	196.80
	<hr/>
	<u>\$3,661,577.98</u>

Brushy Creek Municipal Utility District
(Williamson County, Texas)

ESCROW ACCOUNT CASH FLOW

Dates	Cash receipts from Open-Market Securities (Exhibit B-1)	Debt service payments on Refunded Bonds (Exhibits B-2 and B-3)	Cash balance
Cash deposit on June 30, 2015			\$1,568,631.38
07-07-15		\$1,567,908.00	723.38
11-12-15	\$2,000.00		2,723.38
11-15-15	309.38		3,032.76
11-26-15	6,444.00		9,476.76
11-30-15	44,687.50		54,164.26
12-01-15		50,875.00	3,289.26
05-15-16	309.38		3,598.64
05-26-16	6,444.00		10,042.64
05-31-16	44,385.00		54,427.64
06-01-16		50,875.00	3,552.64
11-15-16	45,309.38		48,862.02
11-26-16	6,444.00		55,306.02
12-01-16		50,875.00	4,431.02
05-26-17	1,796,444.00		1,800,875.02
06-01-17		1,800,875.00	0.02
	<u>\$1,952,776.64</u>	<u>\$3,521,408.00</u>	

Brushy Creek Municipal Utility District
(Williamson County, Texas)

CASH RECEIPTS FROM AND YIELD ON THE OPEN-MARKET SECURITIES

Receipt date	Principal	Interest rate	Interest	Cash receipts from Open-Market Securities	Present value on June 30, 2015 using a yield of 0.702563%
11-12-15	\$2,000	0.000%		\$2,000.00	\$1,994.86
11-15-15			\$309.38	309.38	308.57
11-26-15			6,444.00	6,444.00	6,425.70
11-30-15	44,000	1.375%	687.50	44,687.50	44,557.10
05-15-16			309.38	309.38	307.49
05-26-16			6,444.00	6,444.00	6,403.20
05-31-16	44,000	1.750%	385.00	44,385.00	44,100.57
11-15-16	45,000	1.375%	309.38	45,309.38	44,874.55
11-26-16			6,444.00	6,444.00	6,380.79
05-26-17	1,790,000	0.720%	6,444.00	1,796,444.00	1,772,595.55
	<u>\$1,925,000</u>		<u>\$27,776.64</u>	<u>\$1,952,776.64</u>	<u>\$1,927,948.38</u>

The sum of the present values of the cash receipts from the Open-Market Securities on June 30, 2015, using a yield of 0.702563%, is equal to the purchase price of the Open-Market Securities as shown below:

Type	Maturity date	Principal amount	Interest rate	Price	Cost	Accrued interest	Purchase price
T-Bills	11-12-15	\$2,000	0.000%	99.980860%	\$1,999.62		\$1,999.62
T-Notes	11-30-15	44,000	1.375%	100.531540%	44,233.88	\$49.59	44,283.47
T-Notes	05-31-16	44,000	1.750%	101.314320%	44,578.30	63.11	44,641.41
FNMA	11-15-16	45,000	1.375%	101.077550%	45,484.90	77.34	45,562.24
FHLB	05-26-17	1,790,000	0.720%	100.013656%	1,790,244.44	1,217.20	1,791,461.64
		<u>\$1,925,000</u>			<u>\$1,926,541.14</u>	<u>\$1,407.24</u>	<u>\$1,927,948.38</u>

Brushy Creek Municipal Utility District
(Williamson County, Texas)

DEBT SERVICE PAYMENT ON THE 2008 BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payment</u>
07-07-15	<u>\$1,560,000</u>	(1)	<u>\$7,908.00</u>	<u>\$1,567,908.00</u>

(1) Actual maturity dates, principal amounts and interest rates are as follows:

<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>
06-01-19	\$225,000	5.000%
06-01-23	360,000	5.000%
06-01-27	435,000	5.000%
06-01-31	540,000	5.200%
	<u>\$1,560,000</u>	

Brushy Creek Municipal Utility District
(Williamson County, Texas)

DEBT SERVICE PAYMENTS ON THE 2009 BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payments</u>
12-01-15			\$50,875.00	\$50,875.00
06-01-16			50,875.00	50,875.00
12-01-16			50,875.00	50,875.00
06-01-17	\$1,750,000	(1)	50,875.00	1,800,875.00
	<u>\$1,750,000</u>		<u>\$203,500.00</u>	<u>\$1,953,500.00</u>

(1) Actual maturity dates, principal amounts and interest rates are as follows:

<u>Maturity date</u>	<u>Principal amount</u>	<u>Interest rate</u>
06-01-22	\$180,000	5.250%
06-01-31	1,190,000	6.000%
06-01-33	380,000	5.500%
	<u>\$1,750,000</u>	

**Brushy Creek Municipal Utility District
(Williamson County, Texas)**

DEBT SERVICE PAYMENTS AND YIELD ON THE BONDS

Date	\$3,625,000 issue dated June 1, 2015			Total debt service	Present value on June 30, 2015 using a yield of 3.420755%
	Principal	Interest rate	Interest		
12-01-15			\$57,625.00	\$57,625.00	\$56,810.98
06-01-16	\$40,000	2.000%	57,625.00	97,625.00	94,627.45
12-01-16			57,225.00	57,225.00	54,535.16
06-01-17	110,000	2.000%	57,225.00	167,225.00	156,684.76
12-01-17			56,125.00	56,125.00	51,703.11
06-01-18	115,000	2.000%	56,125.00	171,125.00	154,991.72
12-01-18			54,975.00	54,975.00	48,954.77
06-01-19	120,000	2.000%	54,975.00	174,975.00	153,193.56
12-01-19			53,775.00	53,775.00	46,289.20
06-01-20	125,000	3.000%	53,775.00	178,775.00	151,300.64
12-01-20			51,900.00	51,900.00	43,185.31
06-01-21	210,000	3.000%	51,900.00	261,900.00	214,258.93
12-01-21			48,750.00	48,750.00	39,211.44
06-01-22	220,000	3.000%	48,750.00	268,750.00	212,530.56
12-01-22			45,450.00	45,450.00	35,337.96
06-01-23	225,000	3.000%	45,450.00	270,450.00	206,742.31
12-01-23			42,075.00	42,075.00	31,622.87
06-01-24	230,000	3.000%	42,075.00	272,075.00	201,048.33
12-01-24			38,625.00	38,625.00	28,061.77
06-01-25	240,000	3.000%	38,625.00	278,625.00	199,022.14
12-01-25			35,025.00	35,025.00	24,597.68
06-01-26	245,000	3.125%	35,025.00	280,025.00	193,351.52
12-01-26			31,196.88	31,196.88	21,178.57
06-01-27	260,000	3.250%	31,196.88	291,196.88	194,360.03
12-01-27			26,971.88	26,971.88	17,699.71
06-01-28	270,000	3.500%	26,971.88	296,971.88	191,604.21
12-01-28			22,246.88	22,246.88	14,112.16
06-01-29	280,000	3.500%	22,246.88	302,246.88	188,504.19
12-01-29			17,346.88	17,346.88	10,636.91
06-01-30	295,000	3.625%	17,346.88	312,346.88	188,306.72
12-01-30			12,000.00	12,000.00	7,112.87
06-01-31	300,000	3.750%	12,000.00	312,000.00	181,824.63
12-01-31			6,375.00	6,375.00	3,652.69

**Brushy Creek Municipal Utility District
(Williamson County, Texas)**

DEBT SERVICE PAYMENTS AND YIELD ON THE BONDS

Date	\$3,625,000 issue dated June 1, 2015		Interest	Total debt service	Present value on June 30, 2015 using a yield of 3.420755%
	Principal	Interest rate	Interest		
06-01-32	165,000	3.750%	6,375.00	171,375.00	96,541.72
12-01-32			3,281.25	3,281.25	1,817.36
06-01-33	175,000	3.750%	3,281.25	178,281.25	97,082.90
	\$3,625,000		\$1,321,937.54	\$4,946,937.54	\$3,612,496.84

The present value of the future payments is equal to:

Principal amount of the Bonds	\$3,625,000.00
Accrued interest	9,284.03
Net original issue discount	(10,706.05)
Bond insurance premium	(11,081.14)
	\$3,612,496.84

The sum of the present values of the debt service payments of the Bonds on June 30, 2015, using a yield of 3.420755%, is equal to the issue price of the Bonds adjusted for the bond insurance premium.

**Brushy Creek Municipal Utility District
(Williamson County, Texas)**

NET ORIGINAL ISSUE DISCOUNT ON THE BONDS

<u>Maturity date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Yield</u>	<u>Initial public offering price</u>	<u>Net original issue premium (discount)</u>
06-01-16	\$40,000	2.000%	0.650%	101.235%	\$494.00
06-01-17	110,000	2.000%	1.100%	101.704%	1,874.40
06-01-18	115,000	2.000%	1.550%	101.279%	1,470.85
06-01-19	120,000	2.000%	1.850%	100.563%	675.60
06-01-20	125,000	3.000%	2.050%	104.422%	5,527.50
06-01-21	210,000	3.000%	2.300%	103.852%	8,089.20
06-01-22	220,000	3.000%	2.500%	103.157%	6,945.40
06-01-23	225,000	3.000%	2.750%	101.766%	3,973.50
06-01-24	230,000	3.000%	3.000%	100.000%	
06-01-25	240,000	3.000%	3.100%	99.150%	(2,040.00)
06-01-26	245,000	3.125%	3.250%	98.856%	(2,802.80)
06-01-27	260,000	3.250%	3.500%	97.578%	(6,297.20)
06-01-28	270,000	3.500%	3.650%	98.463%	(4,149.90)
06-01-29	280,000	3.500%	3.750%	97.305%	(7,546.00)
06-01-30	295,000	3.625%	3.800%	98.018%	(5,846.90)
06-01-31	300,000	3.750%	3.850%	98.815%	(3,555.00)
06-01-32	165,000	3.750%	3.900%	98.152%	(3,049.20)
06-01-33	175,000	3.750%	3.950%	97.446%	(4,469.50)
	<u>\$3,625,000</u>				<u>(\$10,706.05)</u>

APPENDIX I

Applicable schedules provided by
Robert W. Baird & Co. Incorporated

SOURCES AND USES OF FUNDS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final Numbers, Pending Verification
 NBQ A2 with Insurance

Dated Date 06/01/2015
 Delivery Date 06/30/2015

Sources:

Bond Proceeds:

Par Amount	3,625,000.00
Accrued Interest	9,284.03
Original Issue Discount	-39,756.50
Premium	29,050.45
	<u>3,623,577.98</u>

Other Sources of Funds:

Debt Service Fund Transfer	38,000.00
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3,661,577.98

Uses:

Refunding Escrow Deposits:

Cash Deposit	1,568,631.38
Open Market Purchases	1,927,948.38
	<u>3,496,579.76</u>

Other Fund Deposits:

Accrued Interest	9,284.03
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Delivery Date Expenses:

Cost of Issuance	110,625.00
Underwriter's Discount	33,811.25
Bond Insurance (BAM - 22.4 bps)	11,081.14
	<u>155,517.39</u>

Other Uses of Funds:

Additional Proceeds	196.80
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3,661,577.98



ESCROW SUFFICIENCY

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
06/30/2015		1,568,631.38	1,568,631.38	1,568,631.38
07/07/2015	1,567,908.00		-1,567,908.00	723.38
11/12/2015		2,000.00	2,000.00	2,723.38
11/15/2015		309.38	309.38	3,032.76
11/26/2015		6,444.00	6,444.00	9,476.76
11/30/2015		44,687.50	44,687.50	54,164.26
12/01/2015	50,875.00		-50,875.00	3,289.26
05/15/2016		309.38	309.38	3,598.63
05/26/2016		6,444.00	6,444.00	10,042.63
05/31/2016		44,385.00	44,385.00	54,427.63
06/01/2016	50,875.00		-50,875.00	3,552.63
11/15/2016		45,309.38	45,309.38	48,862.01
11/26/2016		6,444.00	6,444.00	55,306.01
12/01/2016	50,875.00		-50,875.00	4,431.01
05/26/2017		1,796,444.00	1,796,444.00	1,800,875.01
06/01/2017	1,800,875.00		-1,800,875.00	0.01
	3,521,408.00	3,521,408.01	0.01	



ESCROW CASH FLOW

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Date	Principal	Interest	Net Escrow Receipts
11/12/2015	2,000.00		2,000.00
11/15/2015		309.38	309.38
11/26/2015		6,444.00	6,444.00
11/30/2015	44,000.00	687.50	44,687.50
05/15/2016		309.38	309.38
05/26/2016		6,444.00	6,444.00
05/31/2016	44,000.00	385.00	44,385.00
11/15/2016	45,000.00	309.38	45,309.38
11/26/2016		6,444.00	6,444.00
05/26/2017	1,790,000.00	6,444.00	1,796,444.00
	1,925,000.00	27,776.63	1,952,776.63

Escrow Cost Summary

Purchase date 06/30/2015
Purchase cost of securities 1,927,948.38



ESCROW COST

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Type of Security	Maturity Date	Par Amount	Rate	Yield	Price	Cost	Accrued Interest	Total Cost
TBill	11/12/2015	2,000		0.051759%	99.980860	1,999.62		1,999.62
TBond	11/30/2015	44,000	1.375%	0.102811%	100.531540	44,233.88	49.59	44,283.47
TBond	05/31/2016	44,000	1.750%	0.315029%	101.314320	44,578.30	63.11	44,641.42
Agency	11/15/2016	45,000	1.375%	0.586874%	101.077550	45,484.90	77.34	45,562.24
Agency	05/26/2017	1,790,000	0.720%	0.712720%	100.013656	1,790,244.44	1,217.20	1,791,461.64
		1,925,000				1,926,541.14	1,407.25	1,927,948.38

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
06/30/2015	1,927,948.38	1,568,631.38	3,496,579.76
	1,927,948.38	1,568,631.38	3,496,579.76

ESCROW DESCRIPTIONS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final Numbers, Pending Verification
 NBQ A2 with Insurance

Type of Security	CUSIP or ID	Maturity Date	Par Amount	Rate	Yield	Price	Interest Class	Interest Frequency	Interest Day Basis	
Jun 30, 2015:										
TBill	912796FG9	11/12/2015	2,000		0.052%	99.980860	Discount	Semiannual	ACT/ACT	
TBond	912828PJ3	11/30/2015	44,000	1.375%	0.103%	100.531540	Periodic	Semiannual	ACT/ACT	
TBond	912828QP8	05/31/2016	44,000	1.750%	0.315%	101.314320	Periodic	Semiannual	ACT/ACT	
Agency	3135G0ES8	11/15/2016	45,000	1.375%	0.587%	101.077550	Periodic	Semiannual	30/360	
Agency	3130A5DD8	05/26/2017	1,790,000	0.720%	0.713%	100.013656	Periodic	Semiannual	30/360	
			1,925,000							



ESCROW STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Current Refunding:							
DSF	38,000.00				37,974.95		25.05
BP	1,529,908.00				1,528,899.32		1,008.68
Advanced Refunding:							
	1,928,671.76	1.818	0.702563%	0.696050%	1,835,318.25	92,280.10	1,073.41
	3,496,579.76				3,402,192.52	92,280.10	2,107.14

Delivery date 06/30/2015
Arbitrage yield 3.420755%



ESCROW REQUIREMENTS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Period Ending	Interest	Principal Redeemed	Total
07/07/2015	7,908.00	1,560,000.00	1,567,908.00
12/01/2015	50,875.00		50,875.00
06/01/2016	50,875.00		50,875.00
12/01/2016	50,875.00		50,875.00
06/01/2017	50,875.00	1,750,000.00	1,800,875.00
	211,408.00	3,310,000.00	3,521,408.00

SUMMARY OF BONDS REFUNDED

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
 UL Tax Ref Bs, Srs 2015
 Final Numbers, Pending Verification
 NBQ A2 with Insurance

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2008:					
Term Bond 2019	06/01/2017	5.000%	70,000.00	07/07/2015	100.000
	06/01/2018	5.000%	75,000.00	07/07/2015	100.000
	06/01/2019	5.000%	80,000.00	07/07/2015	100.000
Term Bond 2023	06/01/2020	5.000%	85,000.00	07/07/2015	100.000
	06/01/2021	5.000%	90,000.00	07/07/2015	100.000
	06/01/2022	5.000%	90,000.00	07/07/2015	100.000
Term Bond 2027	06/01/2023	5.000%	95,000.00	07/07/2015	100.000
	06/01/2024	5.000%	100,000.00	07/07/2015	100.000
	06/01/2025	5.000%	105,000.00	07/07/2015	100.000
Term Bond 2031	06/01/2026	5.000%	110,000.00	07/07/2015	100.000
	06/01/2027	5.000%	120,000.00	07/07/2015	100.000
	06/01/2028	5.200%	125,000.00	07/07/2015	100.000
Term Bond 2031	06/01/2029	5.200%	130,000.00	07/07/2015	100.000
	06/01/2030	5.200%	140,000.00	07/07/2015	100.000
	06/01/2031	5.200%	145,000.00	07/07/2015	100.000
			<u>1,560,000.00</u>		
Sendero Springs & Cornerstone Defined Area U/L Tax Bds Ser 2009:					
Term Bond 2022	06/01/2021	5.250%	85,000.00	06/01/2017	100.000
	06/01/2022	5.250%	95,000.00	06/01/2017	100.000
Term Bond 2031	06/01/2023	6.000%	100,000.00	06/01/2017	100.000
	06/01/2024	6.000%	105,000.00	06/01/2017	100.000
	06/01/2025	6.000%	115,000.00	06/01/2017	100.000
	06/01/2026	6.000%	120,000.00	06/01/2017	100.000
	06/01/2027	6.000%	130,000.00	06/01/2017	100.000
	06/01/2028	6.000%	140,000.00	06/01/2017	100.000
	06/01/2029	6.000%	150,000.00	06/01/2017	100.000
	06/01/2030	6.000%	160,000.00	06/01/2017	100.000
	06/01/2031	6.000%	170,000.00	06/01/2017	100.000
	Term Bond 2033	06/01/2032	5.500%	185,000.00	06/01/2017
06/01/2033		5.500%	195,000.00	06/01/2017	100.000
			<u>1,750,000.00</u>		
			<u>3,310,000.00</u>		



BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Dated Date 06/01/2015
Delivery Date 06/30/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/31/2015			57,625.00	57,625.00	57,625.00
06/30/2016	40,000	2.000%	57,625.00	97,625.00	
12/31/2016			57,225.00	57,225.00	154,850.00
06/30/2017	110,000	2.000%	57,225.00	167,225.00	
12/31/2017			56,125.00	56,125.00	223,350.00
06/30/2018	115,000	2.000%	56,125.00	171,125.00	
12/31/2018			54,975.00	54,975.00	226,100.00
06/30/2019	120,000	2.000%	54,975.00	174,975.00	
12/31/2019			53,775.00	53,775.00	228,750.00
06/30/2020	125,000	3.000%	53,775.00	178,775.00	
12/31/2020			51,900.00	51,900.00	230,675.00
06/30/2021	210,000	3.000%	51,900.00	261,900.00	
12/31/2021			48,750.00	48,750.00	310,650.00
06/30/2022	220,000	3.000%	48,750.00	268,750.00	
12/31/2022			45,450.00	45,450.00	314,200.00
06/30/2023	225,000	3.000%	45,450.00	270,450.00	
12/31/2023			42,075.00	42,075.00	312,525.00
06/30/2024	230,000	3.000%	42,075.00	272,075.00	
12/31/2024			38,625.00	38,625.00	310,700.00
06/30/2025	240,000	3.000%	38,625.00	278,625.00	
12/31/2025			35,025.00	35,025.00	313,650.00
06/30/2026	245,000	3.125%	35,025.00	280,025.00	
12/31/2026			31,196.88	31,196.88	311,221.88
06/30/2027	260,000	3.250%	31,196.88	291,196.88	
12/31/2027			26,971.88	26,971.88	318,168.75
06/30/2028	270,000	3.500%	26,971.88	296,971.88	
12/31/2028			22,246.88	22,246.88	319,218.75
06/30/2029	280,000	3.500%	22,246.88	302,246.88	
12/31/2029			17,346.88	17,346.88	319,593.75
06/30/2030	295,000	3.625%	17,346.88	312,346.88	
12/31/2030			12,000.00	12,000.00	324,346.88
06/30/2031	300,000	3.750%	12,000.00	312,000.00	
12/31/2031			6,375.00	6,375.00	318,375.00
06/30/2032	165,000	3.750%	6,375.00	171,375.00	
12/31/2032			3,281.25	3,281.25	174,656.25
06/30/2033	175,000	3.750%	3,281.25	178,281.25	
12/31/2033					178,281.25
	3,625,000		1,321,937.50	4,946,937.50	4,946,937.50



PROOF OF ARBITRAGE YIELD

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Date	Debt Service	Present Value to 06/30/2015 @ 3.4207547707%
12/01/2015	57,625.00	56,810.98
06/01/2016	97,625.00	94,627.45
12/01/2016	57,225.00	54,535.16
06/01/2017	167,225.00	156,684.76
12/01/2017	56,125.00	51,703.11
06/01/2018	171,125.00	154,991.72
12/01/2018	54,975.00	48,954.77
06/01/2019	174,975.00	153,193.56
12/01/2019	53,775.00	46,289.20
06/01/2020	178,775.00	151,300.64
12/01/2020	51,900.00	43,185.31
06/01/2021	261,900.00	214,258.93
12/01/2021	48,750.00	39,211.44
06/01/2022	268,750.00	212,530.56
12/01/2022	45,450.00	35,337.96
06/01/2023	270,450.00	206,742.31
12/01/2023	42,075.00	31,622.87
06/01/2024	272,075.00	201,048.34
12/01/2024	38,625.00	28,061.77
06/01/2025	278,625.00	199,022.14
12/01/2025	35,025.00	24,597.68
06/01/2026	280,025.00	193,351.52
12/01/2026	31,196.88	21,178.57
06/01/2027	291,196.88	194,360.03
12/01/2027	26,971.88	17,699.71
06/01/2028	296,971.88	191,604.21
12/01/2028	22,246.88	14,112.16
06/01/2029	302,246.88	188,504.19
12/01/2029	17,346.88	10,636.90
06/01/2030	312,346.88	188,306.72
12/01/2030	12,000.00	7,112.87
06/01/2031	312,000.00	181,824.63
12/01/2031	6,375.00	3,652.69
06/01/2032	171,375.00	96,541.73
12/01/2032	3,281.25	1,817.36
06/01/2033	178,281.25	97,082.90
	4,946,937.50	3,612,496.84

Proceeds Summary

Delivery date	06/30/2015
Par Value	3,625,000.00
Accrued interest	9,284.03
Premium (Discount)	-10,706.05
Arbitrage expenses	-11,081.14
Target for yield calculation	3,612,496.84



BOND PRICING

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final Numbers, Pending Verification
NBQ A2 with Insurance

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2016	40,000	2.000%	0.650%	101.235
	06/01/2017	110,000	2.000%	1.100%	101.704
	06/01/2018	115,000	2.000%	1.550%	101.279
	06/01/2019	120,000	2.000%	1.850%	100.563
	06/01/2020	125,000	3.000%	2.050%	104.422
	06/01/2021	210,000	3.000%	2.300%	103.852
	06/01/2022	220,000	3.000%	2.500%	103.157
	06/01/2023	225,000	3.000%	2.750%	101.766
	06/01/2024	230,000	3.000%	3.000%	100.000
	06/01/2025	240,000	3.000%	3.100%	99.150
	06/01/2026	245,000	3.125%	3.250%	98.856
	06/01/2027	260,000	3.250%	3.500%	97.578
	06/01/2028	270,000	3.500%	3.650%	98.463
	06/01/2029	280,000	3.500%	3.750%	97.305
	06/01/2030	295,000	3.625%	3.800%	98.018
	06/01/2031	300,000	3.750%	3.850%	98.815
	06/01/2032	165,000	3.750%	3.900%	98.152
	06/01/2033	175,000	3.750%	3.950%	97.446
		3,625,000			

Dated Date	06/01/2015	
Delivery Date	06/30/2015	
First Coupon	12/01/2015	
Par Amount	3,625,000.00	
Original Issue Discount	-10,706.05	
Production	3,614,293.95	99.704661%
Underwriter's Discount	-33,811.25	-0.932724%
Purchase Price	3,580,482.70	98.771937%
Accrued Interest	9,284.03	
Net Proceeds	3,589,766.73	

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

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>
1 Issuer's name Brushy Creek Municipal Utility District		2 Issuer's employer identification number (EIN) 74-2008801
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) None		3b Telephone number of other person shown on 3a N/A
4 Number and street (or P.O. box if mail is not delivered to street address) 16318 Great Oaks Drive	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Round Rock, Texas 78681		7 Date of issue 06/30/2015
8 Name of issue Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015		9 CUSIP number 117464 SM0
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Mike Petter, General Manager		10b Telephone number of officer or other employee shown on 10a (512) 255-7871

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.	
11 Education	11
12 Health and hospital	12
13 Transportation	13
14 Public safety	14
15 Environment (including sewage bonds)	15
16 Housing	16
17 Utilities	17 3,614,294
18 Other. Describe ▶	18
19 If obligations are TANs or RANs, check only box 19a ▶ <input type="checkbox"/>	
If obligations are BANs, check only box 19b ▶ <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box ▶ <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	06/01/2033	\$ 3,614,294	\$ 3,625,000	10.65 years	3.4207 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)					
22	Proceeds used for accrued interest	22	9,284		
23	Issue price of entire issue (enter amount from line 21, column (b))	23	3,614,294		
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	144,436		
25	Proceeds used for credit enhancement	25	11,081		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	-0-		
27	Proceeds used to currently refund prior issues	27	1,529,908		
28	Proceeds used to advance refund prior issues	28	1,928,672		
29	Total (add lines 24 through 28)	29	3,614,097		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	197		

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.		
31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	9.85 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	12.85 years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ▶	06/01/2017
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	01/15/2008; 07/14/2009

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	-0-
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	37	-0-
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> 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	<input type="checkbox"/>	
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>	
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> 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	<input type="checkbox"/>	
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	<input checked="" type="checkbox"/>	
44	If the issuer has established written procedures to monitor the requirements of section 148, check box	<input checked="" type="checkbox"/>	
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> 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.		
	<i>[Signature]</i>	Mike Petter General Manager	Date: 6-19-15
Paid Preparer Use Only	Print type preparer's name	Preparer's signature	PTIN
	Harold T. Flanagan	<i>[Signature]</i>	061215
	Firm's name	Firm's EIN	Check <input type="checkbox"/> if self-employed
	McCall, Parkhurst & Horton L.L.P.	75-0799392	P01071147
Firm's address	Phone no.		
717 N. Harwood, Suite 900, Dallas, TX 75201	214-754-9200		

SPECIMEN

UNITED STATES OF AMERICA
STATE OF TEXAS

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX REFUNDING BOND
SERIES 2015

NO. R-1

PRINCIPAL
AMOUNT
\$40,000

<u>INTEREST RATE</u>	<u>DATE OF BONDS</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
2.000%	June 1, 2015	June 1, 2016	117464RU3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FORTY THOUSAND DOLLARS

ON THE MATURITY DATE SPECIFIED ABOVE, BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from June 1, 2015 on December 1, 2015 and semiannually on each June 1 and December 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at Wells Fargo Bank National Association, which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated

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office for payment in Dallas, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the close of business on the fifteenth calendar day of the month (whether or not a business day) preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

IF THE DATE for any payment due on this Bond shall be a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of June 1, 2015 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal

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amount of \$3,625,000 **FOR PURPOSES OF REFUNDING THE REFUNDED BONDS AND PAYING CERTAIN COSTS OF ISSUING THE BONDS.** Terms used herein and not otherwise defined shall have the meanings given in the Bond Order.

ON JUNE 1, 2023 OR ON ANY DATE THEREAFTER, the Bonds maturing on and after June 1, 2024, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

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

WITH RESPECT TO any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond 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.

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

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

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

THE BONDS are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the Defined Area of the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such

SPECIMEN

districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a city dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

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

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

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

SPECIMEN

amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

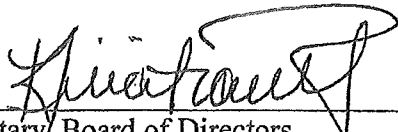
THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Order unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the Defined Area within 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 Defined Area of 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.

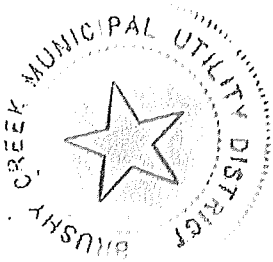
SPECIMEN

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.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT


Secretary, Board of Directors


President, Board of Directors



SPECIMEN

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

**(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

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

Dated: _____.

Wells Fargo Bank, National Association,
Dallas, Texas
Registrar

By _____
Authorized Representative

SPECIMEN

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

SPECIMEN

STATEMENT OF INSURANCE

Build America Mutual Assurance Company (“BAM”), New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank, N.A., Minneapolis, Minnesota, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from BAM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.



500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel (214) 871-1400
reference no.: 1397671

May 27, 2015

Build America Mutual Assurance Company
1 World Financial Center- 27th FL.
200 Liberty Street
New York, NY 10281
Attention: Ms. Laura Levenstein, Chief Risk Officer

**Re: \$3,625,000 Brushy Creek Municipal Utility District, Texas, Sendero Springs and
Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015, dated: June 1,
2015, due: June 1, 2016-2033, (POLICY #2015B0438)**

Dear Ms. Levenstein:

Standard & Poor's Ratings Services ("Ratings Services") has assigned an insured rating of "AA" on the above obligations, based on the policy provided by your company.

We may adjust the underlying rating and the capital charge as a result of changes in the financial position of the issuer or performance of the collateral, or of amendments to the documents governing the issue, as applicable. With respect to the letter, please notify us of any changes or amendments over the term of the debt.

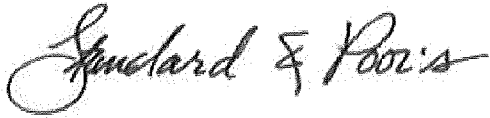
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Standard & Poor's must receive complete documentation relating to this issue no later than 90 days after the date of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

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Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script font.

Standard & Poor's Ratings Services

sp
enclosure



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MOODY'S

INVESTORS SERVICE

Plaza of the Americas
600 North Pearl Street, Suite 2165
Dallas, TX 75201
+1.214.979.6800 tel

May 12, 2015

Jan Bartholomew
Robert W. Baird & Company, Inc.
700 Milam, Suite 1300
Houston, TX 77002

Dear Jan Bartholomew :

We wish to inform you that on May 6, 2015, Moody's Investors Service reviewed and assigned a rating of A2 to BRUSHY CREEK MUNICIPAL UTILITY DISTRICT, TX, Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on www.moody.com. The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on www.moody.com and may be further distributed as otherwise agreed in writing with us.

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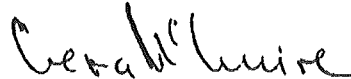
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If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supercede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, James Hobbs at 214-979-6844.

Sincerely,

A handwritten signature in cursive script that reads "Gera McGuire".

Gera McGuire
VP-Sr Credit Officer/Manager

CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT §

We, the undersigned officers of the Board of Directors of the Brushy Creek Municipal Utility District (the "District"), hereby certify as follows:

1. The Board of Directors of the District convened in **REGULAR MEETING ON THE 13TH DAY OF DECEMBER, 2007**, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

Paul J. Tisch - President
Cris Yackle - Vice President
Russ Shermer - Secretary
Rebecca Tullos - Treasurer
Bob Grahl - Asst. Treasurer

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

ORDER AUTHORIZING THE ISSUANCE OF \$2,020,000 BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2008; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; AWARDED THE SALE OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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

AYES: 5
NOES: 0

2. 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 the Order has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Order would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

SIGNED AND SEALED this 13th of December 2007



Secretary, Board of Directors



President Board of Directors

(SEAL)

ORDER AUTHORIZING THE ISSUANCE OF \$2,020,000 BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND
CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2008;
LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS;
APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE
EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT;
AWARDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER
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interest on such bonds by the levy and collection annually of a sufficient ad valorem tax upon all taxable property within said Sendero Springs and Cornerstone Defined Area, as authorized by the constitution and laws of the state of Texas, including particularly (but not by way of limitation) chapters 49 and 54, Texas water code, as amended, together with all amendments and additions thereto and shall the Board of Directors of Brushy Creek Municipal Utility District be authorized to levy and collect a maintenance tax not to exceed fifty-six cents (\$.56) per \$100 valuation on all taxable property within said Sendero Springs and Cornerstone Defined Area to secure funds for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of such defined area, and for the payment of proper services, engineering and legal fees, organization and administrative expenses; and

WHEREAS, the District has received approval from the Texas Commission on Environmental Quality to issue \$2,020,000 in Unlimited Tax Bonds to finance (1) water, wastewater and drainage facilities to serve the following development: Sendero Springs Section Two, Sendero Springs Section Three and Sendero Springs Section Four; (2) capitalize approximately twenty-four months' interest requirements on the Bonds; and (3) pay certain costs associated with the issuance of the Bonds; and

WHEREAS, the Board of Directors of the District deems it necessary and advisable at this time to issue \$2,020,000 of bonds pursuant to Chapters 49 and 54 of the Texas Water Code and the Bond Election authorization and reserving the right in the future to issue the remaining \$22,480,000 of bonds authorized at the Bond Election.

THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF BRUSHY CREEK MUNICIPAL UTILITY DISTRICT:

ARTICLE ONE

PREAMBLE

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

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01. **DEFINITIONS**. When used in this Bond Order, except in Article Six, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall have

the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

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

"Authorized Investments" means authorized obligations as set forth in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

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

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

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

"Commission Order" means the order signed December 5, 2007 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

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

"Defined Area" means the Sendero Springs and Cornerstone Defined Area described by the metes and bounds in Exhibit "A" attached hereto.

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

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

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

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

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Sections 3.02 and 6.01 of this Bond Order.

"Interest Payment Date" means a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on June 1, 2008, and semi-annually on each December 1 and June 1 thereafter until the earlier of maturity or redemption.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Plan for Improvements" means the Plan for Improvements of the Defined Area of the District approved by the Board of Directors on December 13, 2001 in connection with the Bond Election.

"Policy" means the municipal bond insurance policy provided by the Insurer relating to the Bonds.

"Record Date" means, with respect to an Interest Payment Date of June 1, the preceding May 15, and with respect to an Interest Payment Date of December 1, the preceding November 15, whether or not such dates are business days.

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

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

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

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

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

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

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

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"System" means the water system, sanitary sewer system, and drainage and storm sewer system within the Defined Area of the District consistent with the Plan for Improvements approved in connection with the Bond Election including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof.

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

ARTICLE THREE

AUTHORIZATION, REGISTRATION, EXECUTION, AND AUTHENTICATION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION. Each Bond issued pursuant to this Bond Order shall be known and designated as "Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bond, Series 2008" and the Bonds shall be issued in the aggregate principal amount of \$2,020,000 for the purpose of financing (1) water, wastewater and drainage facilities to serve the following development: Sendero Springs Section Two, Sendero Springs Section Three and Sendero Springs Section Four; (2) capitalize approximately twenty-four months' interest requirements on the Bonds; and (3) pay certain costs associated with the issuance of the Bonds.

SECTION 3.02. FORM, DATE, NUMBERS, AND DENOMINATION. The Bonds shall be issued and delivered in fully registered form without coupons, and may be transferred and exchanged after initial delivery as provided in Article Four of this Bond Order. The Bonds shall be dated January 1, 2008. There shall be one Initial Bond numbered T-1 and delivered to the Attorney

General. Bonds registered and delivered by the Registrar subsequent to the Initial Bonds shall be numbered by the Registrar R-1 upward and no two Bonds shall be given the same number. The Bonds registered and delivered subsequent to the Initial Bond shall be in principal denominations of \$5,000 or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. Bonds shall bear interest from January 1, 2008, at the rate or rates set forth in the following schedule on the basis of a 360 day year composed of twelve 30-day months, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Five hereof, on June 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>
2009	\$ 45,000	6.00%	2021	****	****
2010	50,000	6.00	2022	****	****
2011	55,000	6.00	2023	\$360,000	5.00%
2012	55,000	6.00	2024	****	****
2013	60,000	6.00	2025	****	****
2014	60,000	6.00	2026	****	****
2015	65,000	6.00	2027	435,000	5.00
2016	****	****	2028	****	****
2017	****	****	2029	****	****
2018	****	****	2030	****	****
2019	295,000	5.00	2031	540,000	5.20
2020	****	****			

SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at a corporate trust office of the Registrar. The interest on each Bond shall be payable on June 1, 2008, and semiannually thereafter on December 1 and June 1 of each year by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for payment on any Bond is a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment

shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized by law or executive order to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

SECTION 3.05. SUCCESSOR REGISTRAR. The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 30 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 3.06. SPECIAL RECORD DATE. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

SECTION 3.07. REGISTERED OWNERS. The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

SECTION 3.08. EXECUTION OF BONDS. The Bonds shall be signed on behalf of the District by the President of the Board of Directors and attested by the Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the

delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

SECTION 3.09. AUTHENTICATION. The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Order. Upon delivery by DTC to the Paying

Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

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

ARTICLE FOUR

REGISTRATION, TRANSFER, AND EXCHANGE

SECTION 4.01. REGISTRATION, TRANSFER, AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep at its designated office for payment the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Bond Order.

Each Bond shall be transferable only upon the presentation and surrender thereof at the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

SECTION 4.02. MUTILATED, LOST, OR STOLEN BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

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

- (a) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;

- (c) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) meet any other reasonable requirements of the District and the Registrar.

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

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

Each replacement Bond delivered in accordance with this Section 4.02 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

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

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

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

ARTICLE SIX

FORM OF BOND

SECTION 6.01. **FORM OF BOND.** The Bonds authorized by this Bond Order shall be in substantially the following Form, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the terms of this Bond Order. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Bond Order.

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BOND,
Series 2008**

NO. R-

**PRINCIPAL
AMOUNT**

\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

January 1, 2008

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, **BRUSHY CREEK MUNICIPAL UTILITY DISTRICT** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from January 1, 2008 on June 1, 2008 and semiannually on each June 1 and December 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

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 Wells Fargo Bank, N.A. which is the "Registrar" or "Paying Agent/Registrar" for this Bond at its designated office for payment in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the

Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such interest payment date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

THIS BOND is one of a series of Bonds dated as of January 1, 2008 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of \$2,020,000 **FOR THE PURPOSE OF FINANCING (1) WATER, WASTEWATER AND DRAINAGE FACILITIES TO SERVE THE FOLLOWING DEVELOPMENT: SENDERO SPRINGS SECTION TWO, SENDERO SPRINGS SECTION THREE AND SENDERO SPRINGS SECTION FOUR; (2) CAPITALIZE APPROXIMATELY TWENTY-FOUR MONTHS' INTEREST REQUIREMENTS ON THE BONDS; AND (3) PAY CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.**

ON JUNE 1, 2015 OR ON ANY DATE THEREAFTER, the Bonds maturing on and after June 1, 2016, inclusive, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

THE BONDS MATURING ON JUNE 1, 2019, June 1, 2023, June 1, 2027 and June 1, 2031 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

Term Bond Maturing on June 1, 2019

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2016	\$ 70,000
June 1, 2017	70,000
June 1, 2018	75,000
June 1, 2019*	80,000

*Final Maturity

Term Bond Maturing on June 1, 2023

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2020	\$ 85,000

June 1, 2021	90,000
June 1, 2022	90,000
June 1, 2023*	95,000

*Final Maturity

Term Bond Maturing on June 1, 2027

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2024	\$ 100,000
June 1, 2025	105,000
June 1, 2026	110,000
June 1, 2027*	120,000

*Final Maturity

Term Bond Maturing on June 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2028	\$ 125,000
June 1, 2029	130,000
June 1, 2030	140,000
June 1, 2031*	145,000

*Final Maturity

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

AT LEAST 30 calendar days prior to the date fixed for redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Registrar by United States mail, first-class postage prepaid, to (i) the Registered Owner of each Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day prior to such redemption date and

(ii) major securities depositories and bond information services. By the date fixed for any such redemption due provision shall be made with the Registrar for the payment of the required redemption price for the Bonds or portions for which such payment is made, all as provided above. The Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any authorized denomination or denominations, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Order.

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the principal denomination in the case of the Bonds, of any integral multiple of \$5,000. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any

circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Registrar shall not be required to make any such transfer, conversion or exchange of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) within 45 calendar days prior to its redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

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

THE BONDS are payable from the proceeds of an ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the Defined Area of the District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or 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 Registrar in accordance with the Bond Order or (ii) a City dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

THE OBLIGATION to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political

subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

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

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the Defined Area within 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 Defined Area of the District and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

IN WITNESS WHEREOF, the District has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the 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.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Secretary, Board of Directors

President, Board of Directors

(SEAL)

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

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

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from January 1, 2008 at the respective Interest Rate per annum specified above. Interest is payable on June 1, 2008 and semiannually on each June 1 and

December 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

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

SECTION 6.02. REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bond shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed on the face of the Initial Bond and shall be in substantially the following form:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

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

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

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally

was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: **WELLS FARGO BANK, N.A.**
Registrar

By _____
Authorized Representative

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

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

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

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

ARTICLE SEVEN

SECURITY OF THE BONDS

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

SECTION 7.02. LEVY OF TAX. (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property within the Defined Area of the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with revenues and receipts from other sources that are legally available for such purpose, shall be levied and collected and applied to the payment of principal and interest on the Bonds, as follows:

- (1) By September 1 in each year, or as soon thereafter as practicable, the Board shall consider the taxable property within the Defined Area of the District and determine

the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property within the Defined Area of the District.

- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
 - (i) the amount which should be levied for maintenance and operation purposes;
 - (ii) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes;
 - (iii) the amount which should be levied for the purpose of paying all other contractual obligations of the District payable in whole or in part from the Defined Area taxes; and
 - (iv) the percentage of anticipated tax collections and the cost of collecting the taxes.
- (3) In determining the amount of taxes which should be levied each year, the Board shall consider whether proceeds from the sale of Bonds have been placed in the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund to pay interest on the Bonds and whether the Board reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

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

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

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

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

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

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

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

ARTICLE EIGHT

FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01. CREATION OF FUNDS. The Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2008 Sendero Springs and Cornerstone Defined Area Capital Projects Fund are hereby created or confirmed. Each fund shall be kept separate and apart from all other funds of the District. The Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund shall constitute a trust fund which shall be held in trust by the District for the benefit of the holders of the Bonds.

SECTION 8.02. SERIES 2008 SENDERO SPRINGS AND CORNERSTONE DEFINED AREA CAPITAL PROJECTS FUND. The Series 2008 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall comprise the capital improvements fund of the Defined Area of the District. The District shall deposit to the credit of the Series 2008 Sendero Springs and Cornerstone Defined Area Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposit to the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund provided in Section 9.02 of this Order. The Series 2008 Sendero Springs and

Cornerstone Defined Area Capital Projects Fund shall be applied solely to pay (i) the costs necessary or appropriate to accomplish such of the purposes for which the Bonds are issued as approved by the Commission with any surplus proceeds subject to the Commission's rules and (ii) the costs of issuing the Bonds. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Series 2008 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 3.01 of this Order and the Bond Election, any interest earnings remaining on hand shall be deposited in the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.03. SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor or the Federal Savings and Loan Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

SECTION 8.04. DEBT SERVICE FUND; TAX LEVY. The District shall deposit or cause to be deposited into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund the aggregate of the following at the time specified:

- (a) As soon as practicable after the Bonds are sold, accrued interest on the Bonds from their date to the date of their delivery and capitalized interest on the Bonds for 24 months; and
- (b) The proceeds from collection of the ad valorem taxes levied, assessed and collected for and on account of the Bonds pursuant to Section 7.02 hereof, less costs of collection, as collected.

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing, direct annual ad valorem tax upon all taxable property within the Defined Area of the District sufficient to pay the current interest on the Bonds as the same becomes due, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. On or before the date for payment of the principal and/or Interest Payment Date on the Bonds, the Board of Directors shall cause the transfer of moneys out of the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund to the Registrar in an amount not less than that which is sufficient to pay the principal which matures on such date and the interest which accrues on such date. The District shall pay fees and charges of the Registrar for its services as paying agent and registrar for the Bonds from the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.05. INVESTMENTS; EARNINGS. Moneys deposited into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2008 Sendero

Springs and Cornerstone Defined Area Capital Projects Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

ARTICLE NINE

APPLICATION OF BOND PROCEEDS

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

SECTION 9.02. ACCRUED AND CAPITALIZED INTEREST. Moneys received from the purchaser of the Bonds representing accrued interest on the Bonds from their date to the date of their actual delivery shall be deposited into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund. In addition, proceeds of the Bonds representing capitalized interest shall be deposited into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 9.03. CAPITAL PROJECTS. Proceeds of the Bonds necessary to complete the purposes set forth in Section 3.01 herein and to pay the costs of issuance of the Bonds shall be deposited in the Series 2008 Sendero Springs and Cornerstone Defined Area Capital Projects Fund. Any surplus bond proceeds after completion of the projects authorized in the Commission Order, shall be subject to the Commission rules.

ARTICLE TEN

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

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

- (1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any)

are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the District, with respect to such private business use, do not, under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

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

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

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

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

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

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

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene

the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

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

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

(c) Proceeds. The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President 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 3.01 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 District covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes 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.

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

ARTICLE ELEVEN

ADDITIONAL BONDS AND REFUNDING BONDS

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

- (a) the unissued unlimited tax bonds which were authorized pursuant to the Bond Election; and

- (b) such other unlimited tax bonds or combination unlimited tax and revenue bonds as may hereafter be authorized at subsequent elections.

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

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

ARTICLE TWELVE

DEFAULT PROVISIONS

SECTION 12.01. REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal of or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Series 2008 Sendero Springs and Cornerstone Defined Area Debt Service Fund, or defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Bond Order, the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations, or conditions prescribed in this Bond Order. Any delay or omission to exercise any right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

ARTICLE THIRTEEN

DISCHARGE BY DEPOSIT

SECTION 13.01. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar 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 for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar or 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.

ARTICLE FOURTEEN

MISCELLANEOUS PROVISIONS

SECTION 14.01. DISTRICT'S SUCCESSORS AND ASSIGNS. Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

SECTION 14.02. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing the Bonds.

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

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

SECTION 14.05. BENEFITS OF PROVISIONS. Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

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

SECTION 14.07. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

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

SECTION 14.09. FURTHER PROCEEDINGS. The 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.

ARTICLE FIFTEEN

SALE AND DELIVERY OF BONDS AND APPROVAL OF DOCUMENTS

SECTION 15.01. SALE OF BONDS. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to First Southwest Company at a price of 97.0906% of the par amount (\$1,961,230.57) plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Chapter 1204, Government Code, as amended is 5.341292% which rate is not more than two (2) percent

above the highest average interest rate reported by the "Daily Bond Buyer" in its weekly "Bond Index" during the one month period preceding December 6, 2007. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Initial Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Bonds shall initially be registered in the name of Cede & Co.

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

SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS AND PAYING AGENT/REGISTRAR AGREEMENT. A "Notice of Sale and Bidding Instructions", an "Official Bid Form", and a "Preliminary Official Statement", dated November 8, 2007 were prepared and distributed in connection with the sale of the Bonds (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use in the offer and sale of the Bonds is hereby approved.

The Paying Agent/Registrar Agreement by and between the District and Wells Fargo Bank, N.A., Austin, Texas ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "B" 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.

ARTICLE SIXTEEN

OPEN MEETING AND EFFECTIVE DATE

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

The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 16.02. EFFECTIVE DATE OF BOND ORDER. This Bond Order shall take effect and be in full force and effect upon and after its passage.

ARTICLE SEVENTEEN

AMENDMENTS

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

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

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Order it may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein, then such publication in lieu thereof as shall be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Registration Books

maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all Registered Owners of Bonds.

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

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

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

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

ARTICLE EIGHTEEN

CONTINUING DISCLOSURE UNDERTAKING

Section 18.01. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The District shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year, financial information and operating data with respect to the District of the general

type described in Exhibit "C" hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "C" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements become available

If the District changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this paragraph (a).

The financial information and operating data to be provided pursuant to this paragraph (a) may be set forth in full one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(b) Material Event Notices. The District shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The District shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with paragraph (a) of this Section 18.01 by the time required by such paragraph.

(c) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 9 of this Order that causes Bonds no longer to be outstanding.

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

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

No default by the District in observing or performing its obligations under this section shall comprise a breach of or default under the Order for purposes of any other provision of this Order.

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

The provisions of this section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the District, but only if (1) the provisions of this section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent

to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of this section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

The filing of such continuing disclosure information with a central post office approved for such purposes by the SEC, such as Disclosure USA, for submission to the NRMSIRs and SID (without also separately submitting such filings to the NRMSIRs and SID by some other means) will satisfy the Commission's obligation to file such information with the NRMSIRs and SID so long as such filing is acceptable to the SEC.

ARTICLE NINETEEN

OTHER ACTIONS

SECTION 19.01. OTHER ACTIONS. The President or Vice President and Secretary of the Board of Directors of the District, the General Manager and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the sale of the Bonds and the Official Statement.

ARTICLE TWENTY

PAYMENT OF THE ATTORNEY GENERAL FEE

SECTION 20.01. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

EXHIBIT "A"

METES AND BOUNDS DESCRIPTION

Sendero Springs Portion of Defined Area

FIELD NOTES FOR 222.785 ACRES

FIELD NOTES DESCRIBING 222.785 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being a portion of the remainder of that certain 474.91 acre tract of land conveyed to Hy-Land North Joint Venture by Warranty Deed recorded in Volume 639, Page 693 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as PARCEL "A", PARCEL "B" and PARCEL "C" as follows:

PARCEL "A" (27.239 ACRES)

BEGINNING at an iron found on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 28, Block 14, Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of the Plat Records of Williamson County, Texas, for the Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the South right-of-way line of F.M. 1431, N70°16'46"E, 814.55 feet to an iron pin set at the Northwest corner of Lot 31, Block B, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for an ell corner of this tract.

THENCE along the perimeter of said Lot 31, Block B, the following two (2) courses:

1. S19°43'14"E, 10.00 feet to an iron pin set for an angle point of this tract.
2. S83°09'19"E, 122.98 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Northeast corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. S19°43'14"E, 95.00 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears S26°50'44"E, 100.78 feet to an iron pin set at the Point of Reverse Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 11°30'50".
3. along the arc of said curve 81.64 feet, the sub-chord of which bears S28°12'48"E, 81.50 feet to an iron pin set at the Northeast corner of Lot 24, Block B of said Sendero Springs Section One, for the Point of Tangency of said curve.

THENCE along the perimeter of Sendero Springs, the following ten (10) courses:

1. S70°16'46"W, 592.09 feet to an iron pin set for an angle point of this tract.
2. S00°32'31"W, 167.32 feet to an iron pin set for an angle point of this tract.
3. S10°17'10"W, 124.03 feet to an iron pin set for an angle point of this tract.
4. N87°49'59"E, 217.61 feet to an iron pin set for an angle point of this tract.
5. N70°16'46"E, 85.00 feet to an iron pin set for an ell corner of this tract.
6. S19°43'14"E, 125.00 feet to an iron pin set for an ell corner of this tract.
7. S70°16'46"W, 18.64 feet to an iron pin set for an ell corner of this tract.
8. S19°43'14"E, 50.00 feet to an iron pin set for an angle point of this tract.
9. S26°18'50"E, 135.90 feet to an iron pin set for an angle point of this tract.
10. N70°16'46"E, 423.09 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for an ell corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following two (2) courses:

1. S19°43'14"E, 110.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".
2. along the arc of said curve 39.27 feet, the long chord of which bears S25°16'46"W, 35.36 feet to an iron pin set on the North right-of-way line of Luminoso Lane West, for the Point of Tangency of said curve.

THENCE crossing said Luminoso Lane West, S19°43'14"E, 50.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".

THENCE along the arc of said curve 39.27 feet, the long chord of which bears S64°43'14"E, 35.36 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Point of Tangency of said curve.

THENCE along the West right-of-way line of Sendero Springs Drive, the following four (4) courses:

1. S19°43'14"E, 4.09 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 511.93 feet and a central angle of 5°56'24".
2. along the arc of said curve 53.07 feet, the long chord of which bears S16°45'02"E, 53.05 feet to an iron pin set at the Point of Tangency of said curve.
3. S13°46'50"E, 140.41 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 13°29'04".

4. along the arc of said curve 129.44 feet, the long chord of which bears S20°31'22"E, 129.14 feet to an iron pin set on the Northwest right-of-way line of Great Oaks Drive, for the Point of Reverse Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 82°30'19".

THENCE along the Northwest right-of-way line of Great Oaks Drive, the following five (5) courses:

1. along the arc of said curve 36.00 feet, the long chord of which bears S13°59'15"W, 32.97 feet to an iron pin set at the Point of Tangency of said curve.
2. S55°14'25"W, 41.15 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 17°45'15".
3. along the arc of said curve 170.43 feet, the long chord of which bears S46°21'47"W, 169.75 feet to an iron pin set at the Point of Tangency of said curve.
4. S37°29'09"W, 102.73 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 935.00 feet and a central angle of 11°51'59".
5. along the arc of said curve 193.65 feet, the long chord of which bears S33°31'10"W, 193.90 feet to an iron pin set at the East corner of Lot 2, Block 18 of said Brushy Creek North Section Two, for the South corner of this tract.

THENCE along the perimeter of said Brushy Creek North Section Two, the following twenty (20) courses:

1. N57°41'05"W, 150.00 feet to an iron pin found for an angle point of this tract.
2. N77°31'05"W, 115.01 feet to an iron pin found for an angle point of this tract.
3. N67°32'22"W, 69.61 feet to an iron pin found for an angle point of this tract.
4. N11°56'05"E, 159.72 feet to an iron pin found for an angle point of this tract.
5. N61°16'56"W, 150.04 feet to an iron pin found on the Southeast right-of-way line of Pheasant Hollow at the North corner of Lot 11, Block 18 of said Section Two, for an angle point of this tract.
6. N61°16'56"W, 50.00 feet to an iron pin set on the Northwest right-of-way line of Pheasant Hollow, for an angle point of this tract.
7. along the Northwest right-of-way line of Pheasant Hollow, S26°29'36"W, 14.82 feet to an iron pin found at the East corner of Lot 1, Block 19 of said Section Two, for an angle point of this tract.
8. N61°10'15"W, 200.13 feet to an iron pin found for an angle point of this tract.
9. N28°49'29"E, 80.14 feet to an iron pin found for an angle point of this tract.
10. N59°55'06"W, 69.95 feet to an iron pin found for an angle point of this tract.
11. S83°24'37"W, 150.20 feet to an iron pin found for on the East right-of-way line of Quail Run at the Northwest corner of Lot 2, Block 19 of said Section Two, for an angle point of this tract.

12. S83°08'21"W, 49.87 feet to an iron pin found on the West right-of-way line of Quail Run, for an angle point of this tract.
13. along the West right-of-way line of Quail Run, N06°54'06"W, 15.00 feet to an iron pin set at the Northeast corner of Lot 16, Block 17 of said Section Two, for an angle point of this tract.
14. S80°11'12"W, 173.86 feet to an iron pin found for an angle point of this tract.
15. N00°45'49"E, 167.06 feet to an iron pin found for an angle point of this tract.
16. N10°12'04"E, 60.08 feet to an iron pin found for an angle point of this tract.
17. N10°10'21"E, 461.48 feet to an iron pin set for an angle point of this tract.
18. N28°09'43"W, 144.92 feet to an iron pin found on the South right-of-way line of Deer Track at the Northeast corner of Lot 1 of said Block 17, for an angle point of this tract.
19. N19°08'36"W, 50.02 feet to an iron pin found on the North right-of-way line of Deer Track at the Southeast corner of Lot 28, Block 14 of said Section Two, for an angle point of this tract.
20. N19°47'56"W, 150.01 to the POINT OF BEGINNING of the herein described tract, containing 27.239 acres of land, more or less.

PARCEL "B" (1.572 ACRES)

BEGINNING at an iron set on the South right-of-way line of F.M. 1431, at the Northeast corner of Lot 141, Block K, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for the most Northerly Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the North right-of-way line of F.M. 1431, N70°16'46"E, 165.00 feet to an iron pin set at the Northwest corner of Lot 138, of said Block K, for an ell corner of this tract.

THENCE along an East line of said Block K, S19°43'14"E, 262.46 feet to an iron pin set at the common rear corner of Lots 124, 125 and 127 of said Block K, for the Southeast corner of this tract.

THENCE along a North line of said Block K, S70°16'46"W, 288.12 feet to an iron pin set on the East right-of-way line of Sendero Springs Drive at the Northwest corner of Lot 139 of said Block K, being the Point of Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 0°21'28".

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. along the arc of said curve 2.54 feet, the sub-chord of which bears N05°38'58"W, 2.54 feet to an iron pin set at the Point of Reverse Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears N12°35'43"W, 100.78 feet to an iron pin set at the Point of Tangency of said curve.
3. N19°43'14"W, 95.00 feet to an iron pin set at the South corner of said Lot 141, for an angle point of this tract.

THENCE along the perimeter of said Lot 141, the following two (2) courses:

1. N43°42'52"E, 122.98 feet to an iron pin set for an angle point of this tract.
2. N19°43'14"W, 10.00 feet to the POINT OF BEGINNING of the herein described tract, containing 1.572 acres of land, more or less.

PARCEL "C" (193.974 ACRES)

BEGINNING at a brass disk found on the South right-of-way line of F.M. 1431, at the Northeast corner of the remainder of said 474.91 acre tract, for the Northeast corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the East line of said 474.91 acre tract, for the East line hereof, the following three (3) courses:

1. S21°05'27"E, 1718.82 feet to an angle point of this tract.
2. S67°58'25"W, 173.81 feet to an angle point of this tract.
3. S20°59'47"E, 2194.57 feet to the Southeast corner of said 474.91 acre tract, for the Southeast corner of this tract.

THENCE along the South line of said 474.91 acre tract, for the South line hereof, the following four (4) courses)

1. S65°42'43"W, 598.71 feet to an angle point of this tract.
2. S69°23'43"W, 1291.68 feet to an angle point of this tract.
3. S69°23'43"W, 100.00 feet to an angle point of this tract.
4. S69°23'43"W, 150.00 feet to the Southeast corner of Lot 34, Block 5, Brushy Creek North Section One, a subdivision of record in Cabinet C, Slides 303-309 of said Plat Records, for the Southwest corner of this tract.

THENCE along the East line of said Section One, and the East line of Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of said Plat Records, the following eleven (1) courses:

1. N20°37'42"W, 149.97 feet to an angle point of this tract.
2. N20°29'53"W, 1000.82 feet to an angle point of this tract.
3. N25°58'16"W, 171.13 feet to an angle point of this tract.
4. N36°27'01"W, 171.10 feet to an angle point of this tract.
5. N46°55'45"W, 171.10 feet to an iron pipe found for an angle point of this tract.
6. N57°11'47"W, 171.45 feet to an iron pin found for an angle point of this tract.
7. N67°37'54"W, 171.08 feet to an iron pin found for an angle point of this tract.
8. N76°11'14"W, 92.36 feet to an iron pipe found for an angle point of this tract.
9. N78°08'31"W, 79.64 feet to an iron pin found for an angle point of this tract.
10. N55°17'53"W, 199.98 feet to an iron pipe found at the North corner of Lot 12, Block 11 of said Brushy Creek North Section Two, for an angle point of this tract.
11. S42°26'56"W, 47.20 feet to an iron pin found for at the Southeast corner of Lot 1, Block F, of said Sendero Springs Section One, for an angle point of this tract.

THENCE along the perimeter of Sendero Springs Section One, the following twenty-nine (20) courses:

1. N50°34'54"W, 63.72 feet to an iron pin set at the South corner of Lot 2 of said Block F, for an angle point of this tract.
2. N39°18'26"E, 174.40 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 3°11'22".
3. along the West right-of-way line of Sendero Springs Drive, along the arc of said curve 30.62 feet, the sub-chord of which bears S52°17'15"E, 30.61 feet to an iron pin set at the Point of Tangency of said curve.
4. N36°14'40"E, 236.82 feet to an iron pin set at the East corner of Lot 26, Block M of said Sendero Springs Section One, for an ell corner of this tract.
5. N53°45'20"W, 35.00 feet to an iron pin set for an ell corner of this tract.
6. N36°14'40"E, 268.84 feet to an iron pin set for an angle point of this tract.
7. S73°03'39"E, 124.19 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 195.00 feet and a central angle of 31°58'29".
8. along the arc of said curve 108.82 feet, the sub-chord of which bears N04°00'04"E, 107.42 feet to an iron pin set at the Point of Tangency of said curve.
9. N11°59'11"W, 100.25 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 175.00 feet and a central angle of 24°20'10".
10. along the arc of said curve 74.33 feet, the long chord of which bears N24°09'16"W, 73.77 feet to an iron pin set at the Point of Tangency of said curve.

11. N36°19'21"W, 44.35 feet to an iron pin set for an ell corner of this tract.
12. S53°40'39"W, 148.61 feet to an iron pin set for an angle point of this tract.
13. N36°39'50"W, 161.02 feet to an iron pin set for an angle point of this tract.
14. N14°34'49"W, 19.71 feet to an iron pin set for an angle point of this tract.
15. N03°18'26"E, 132.48 feet to an iron pin set for an angle point of this tract.
16. N63°34'50"E, 165.54 feet to an iron pin set at the Southwest corner of Lot 12 of said Block M, for an angle point of this tract.
17. N70°14'06"E, 131.81 feet to an iron pin set for an angle point of this tract.
18. N62°49'47"E, 123.59 feet to an iron pin set on the West right-of-way line of Luminoso Lane East, for an ell corner of this tract.
19. along the West right-of-way line of Luminoso Lane East, S27°10'13"E, 13.07 to an iron pin set for an angle point of this tract.
20. N64°28'29"E, 129.36 feet to an iron pin set at the common rear corner of Lots 94 and 95 of Block K of said Sendero Springs Section One, for an angle point of this tract.
21. N67°50'10"E, 110.30 feet to an iron pin set at the common rear corner of Lots 96 and 97 of said Block K, for an angle point of this tract.
22. N69°25'47"E, 60.07 feet to an iron pin set at the common rear corner of Lots 97 and 98 of said Block K, for an angle point of this tract.
23. N70°47'37"E, 60.02 feet to an iron pin set at the common rear corner of Lots 98 and 99 of said Block K, for an angle point of this tract.
24. N72°14'15"E, 280.96 feet to an iron pin set at the East corner of said Lot 100 of said Block K, for an angle point of this tract.
25. N39°34'08"W, 243.96 feet to an iron pin set at the common rear corner of Lots 101 and 102 of said Block K, for an angle point of this tract.
26. N40°12'46"W, 171.63 feet to an iron pin set at the common rear corner of Lots 102 and 106 of said Block K, for an angle point of this tract.
27. N46°41'27"W, 237.44 feet to an iron pin set at the common rear corner of Lots 107 and 108 of said Block K, for an angle point of this tract.
28. N47°32'05"W, 295.98 feet to an iron pin set for an angle point of this tract.
29. N35°04'41"W, 55.69 feet to an iron pin set on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 138 of said Block K, for the Northwest corner of this tract.

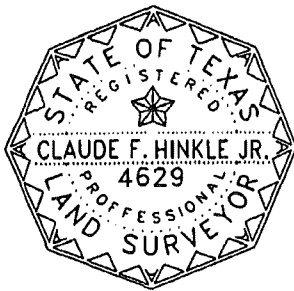
THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

1. N70°16'46"E, 964.30 feet to a brass disk found for an angle point of this tract.
2. N70°24'56"E, 762.23 feet to the POINT OF BEGINNING of the herein described tract, containing 193.974 acres of land, more or less

IN ALL, said PARCEL "A", said PARCEL "B" and said PARCEL "C" contain an aggregate total of 222.785 acres of land, more or less

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray ♦ Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



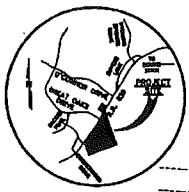
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Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

Date

25 September 01

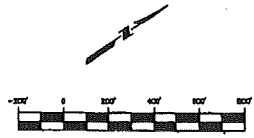
Cornerstone Portion of Defined Area



LOCATION MAP
SEE TO SHEET

HW DEVELOPMENT CORPORATION TRUSTEE
(193.898 AC)
VOL. 1880, PG. 180

193.898 AC.



**BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT
DEFINED AREA BOND ISSUE
EXHIBIT OF 193.898 ACRES**

BLK	ACRES	DATE	BY
1	193.898	10/15/03	HW

NO.	DATE	BY
1	10/15/03	HW

PROJECT NO. 1880-0001-02	DESIGNED BY: HW
FILE NO. 1880-0001-02	DRAWN BY: HW
DATE: 10/15/03	CHECKED BY: HW
SCALE: 1" = 400'	REVISION BY:

GRAY - JENNINGS & ASSOCIATES, INC.
Engineering, Planning, Surveying, and Construction
1000 West 10th Street, Suite 200
Tulsa, Oklahoma 74103-1000
918-482-0077 FAX: 918-482-0000

FIELD NOTES FOR 193.898 ACRES

FIELD NOTES DESCRIBING 193.898 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being all of certain tract of land, described as 193.96 acres, conveyed to HRI Development Corporation by deed recorded in Volume 1660, Page 105 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point on the Southeast right-of-way line of R.R. 620 at the West corner of that certain 410.00 acre tract of land conveyed to Robinson Land, Ltd., by deed recorded in Volume 1996, Page 57 of said Deed Records, for the North corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE departing the Southeast right-of-way line of R.R. 620, along the East line hereof, the following two (2) courses)

1. S19°14'22"E, 1922.61 feet to an angle point of this tract.
2. S19°03'09"E, 1920.67 feet to the Southeast corner of this tract.

THENCE along the South hereof, the following two (2) courses)

1. S71°12'07"W, 2313.01 feet to an angle point of this tract.
2. S70°30'49"W, 991.72 feet to the Southwest corner of this tract.

THENCE along the West line hereof, N19°40'28"W, 1364.91 feet to a point on the Southeast right-of-way line of R.R. 620, for the West corner of this tract.

THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

1. N36°39'52"E, 1934.46 feet to the Point of Curvature of a curve to the left having a radius of 5779.56 feet and a central angle of 6°39'00".
2. along the arc of said curve 670.80 feet, the long chord of which bears N33°20'22"E, 670.42 feet to the Point of Tangency of said curve.
3. N30°00'52"E, 836.20 feet to the Point of Curvature of a curve to the right having a radius of 5679.56 feet and a central angle of 4°32'00".
4. along the arc of said curve 449.38 feet, the long chord of which bears N32°16'52"E, 449.26 feet to the Point of Tangency of said curve.

5. N34°32'52"E, 250.01 feet to the POINT OF BEGINNING of the herein described tract containing 193.898 acres of land, more or less.

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray ♦ Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in cursive script, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

Date

25 September 01

EXHIBIT "B"

PAYING AGENT/REGISTRAR AGREEMENT

[See Separate Tab of this Transcript]

EXHIBIT "C"

CONTINUING DISCLOSURE

1. All quantitative financial information and operating data with respect to the District of the general type included under the heading "DISTRICT DEBT" (except Estimated Overlapping Debt Statement), "TAX DATA," "THE SYSTEM - Water and Wastewater Operations" and "WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT."
2. Appendix A in the Official Statement.

Accounting Principles

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

CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT §

We, the undersigned officers of the Board of Directors of the Brushy Creek Municipal Utility District (the "District"), hereby certify as follows:

1. The Board of Directors of the District convened in REGULAR MEETING ON THE 25TH DAY OF JUNE, 2009, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

Paul J. Tisch	President
Cristine A. Yackle	Vice President
Rebecca B. Tullos	Treasurer
Russ Shermer	Secretary
Bob Grahl	Asst. Treasurer/Asst. Secretary

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

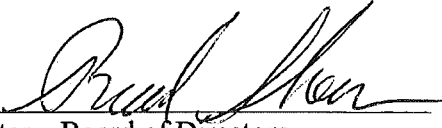
ORDER AUTHORIZING THE ISSUANCE OF \$2,365,000 BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2009; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; AWARDED THE SALE OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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

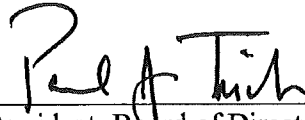
AYES: 5
NOES: 0

2. 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 the Order has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Order would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

SIGNED AND SEALED this June 25, 2009.



Secretary, Board of Directors



President, Board of Directors

(SEAL)

**ORDER AUTHORIZING THE ISSUANCE OF \$2,365,000 BRUSHY
CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND
CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES
2009; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS;
APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE
EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT;
AWARDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER
MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

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**ARTICLE ONE
PREAMBLE**

Section 1.01 Incorporation of Preamble 2

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**ORDER AUTHORIZING THE ISSUANCE OF \$2,365,000 BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE
DEFINED AREA UNLIMITED TAX BONDS, SERIES 2009; LEVYING AN AD
VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL
STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING
AGENT/REGISTRAR AGREEMENT; AWARDED THE SALE OF THE BONDS; AND
AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

THE STATE OF TEXAS

§

COUNTY OF WILLIAMSON

§

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

§

WHEREAS, Brushy Creek Municipal Utility District, formerly known as Williamson County Municipal Utility District No. 2, (collectively, the "District") was created by an Order of the Texas Water Commission, dated October 27, 1977, under the terms and provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended (collectively, the "Act"), together with all amendments and additions thereto, and the District has all the rights, powers, privileges, authority and functions conferred by and is subject to all duties imposed by the Texas Water Code and the general laws relating to municipal utility districts; and

WHEREAS, the Board of Directors of the District determined it to be in the best interest of the District to provide water, drainage and wastewater systems to serve the Sendero Springs and Cornerstone Defined Area described by metes and bounds in Exhibit "A" attached hereto (the "Defined Area") in order to induce the continued development of the District that benefits the Sendero Springs and Cornerstone tracts and will not burden existing taxpayers within the District for improvements in the Defined Area, thereby making it equitable to levy the tax on the Defined Area in accordance with Section 54.801 of the Texas Water Code; and

WHEREAS, at an election held on February 2, 2002 (the "Bond Election") the voters of the Sendero Springs and Cornerstone Defined Area authorized the issuance of bonds in one or more issues or Series in the maximum amount of \$24,500,000 maturing serially or otherwise over a period not to exceed forty (40) years from the date or dates, and to be issued and sold at any price or prices, and to bear interest at a rate not to exceed the maximum authorized by law at the times such bonds are issued (in whole or any part thereof), all as may be determined by the Board of Directors of said District, for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, maintaining, improving or extending plants, facilities and improvements for the waterworks, wastewater and drainage systems of the District located inside and outside its boundaries including, but not limited to, all additions to such system and all works, improvements, facilities, plants, equipment, appliances, interest in property, and contractual rights needed thereof and all organizational, administration, and operating costs during creation and construction periods, all costs associated with requirements for federal permits including stormwater and endangered species and administrative facilities needed in connection therewith, for the purpose of serving the Sendero Springs and Cornerstone Defined Area, and for refunding bonds and/or other obligations issued for any of the foregoing purposes in an amount not to exceed one and one-half times the amount of bonds and/or other obligations hereafter issued and to provide for the payment of principal and

interest on such bonds by the levy and collection annually of a sufficient ad valorem tax upon all taxable property within said Sendero Springs and Cornerstone Defined Area, as authorized by the constitution and laws of the State of Texas, including particularly (but not by way of limitation) chapters 49 and 54, Texas Water Code, as amended, together with all amendments and additions thereto and shall the Board of Directors of Brushy Creek Municipal Utility District be authorized to levy and collect a maintenance tax not to exceed fifty-six cents (\$.56) per \$100 valuation on all taxable property within said Sendero Springs and Cornerstone Defined Area to secure funds for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of such defined area, and for the payment of proper services, engineering and legal fees, organization and administrative expenses; and

WHEREAS, the District has received approval from the Texas Commission on Environmental Quality to issue \$2,365,000 in Unlimited Tax Bonds to finance (1) water, wastewater and drainage facilities to serve the following development: Sendero Springs Section Five, Highland Horizons Phase 1 Single Family, Highland Horizons Phase 1 Multi-Family and Highland Horizons Phase 1 Commercial; (2) inspection fees; (3) capitalize approximately eighteen months' interest requirements on the Bonds; and (4) pay certain costs associated with the issuance of the Bonds; and

WHEREAS, the Board of Directors of the District deems it necessary and advisable at this time to issue \$2,365,000 of bonds pursuant to Chapters 49 and 54 of the Texas Water Code and the Bond Election authorization and reserving the right in the future to issue the remaining \$20,115,000 of bonds authorized at the Bond Election.

THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF BRUSHY CREEK MUNICIPAL UTILITY DISTRICT:

ARTICLE ONE

PREAMBLE

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

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01. **DEFINITIONS**. When used in this Bond Order, except in Article Six, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall have

the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

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

"Authorized Investments" means authorized obligations as set forth in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

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

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

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

"Commission Order" means the order signed May 15, 2009 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

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

"Defined Area" means the Sendero Springs and Cornerstone Defined Area described by the metes and bounds in Exhibit "A" attached hereto.

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

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

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

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

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Sections 3.02 and 6.01 of this Bond Order.

"Interest Payment Date" means a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on June 1, 2010, and semi-annually on each December 1 and June 1 thereafter until the earlier of maturity or redemption.

"MSRB" means the Municipal Securities Rulemaking Board.

"Plan for Improvements" means the Plan for Improvements of the Defined Area of the District approved by the Board of Directors on December 13, 2001 in connection with the Bond Election.

"Policy" means the municipal bond insurance policy provided by the Insurer relating to the Bonds.

"Record Date" means, with respect to an Interest Payment Date of June 1, the preceding May 15, and with respect to an Interest Payment Date of December 1, the preceding November 15, whether or not such dates are business days.

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

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

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

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

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

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

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

"System" means the water system, sanitary sewer system, and drainage and storm sewer system within the Defined Area of the District consistent with the Plan for Improvements approved in connection with the Bond Election including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof.

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

ARTICLE THREE

AUTHORIZATION, REGISTRATION, EXECUTION, AND AUTHENTICATION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION. Each Bond issued pursuant to this Bond Order shall be known and designated as "Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bond, Series 2009" and the Bonds shall be issued in the aggregate principal amount of \$2,365,000 for the purpose of financing (1) water, wastewater and drainage facilities to serve the following development: Sendero Springs Section Five, Highland Horizons Phase 1 Single Family, Highland Horizons Phase 1 Multi-Family and Highland Horizons Phase 1 Commercial; (2) inspection fees; (3) capitalize approximately eighteen months' interest requirements on the Bonds; and (4) pay certain costs associated with the issuance of the Bonds.

SECTION 3.02. FORM, DATE, NUMBERS, AND DENOMINATION. The Bonds shall be issued and delivered in fully registered form without coupons, and may be transferred and exchanged after initial delivery as provided in Article Four of this Bond Order. The Bonds shall be dated July 1, 2009. There shall be one Initial Bond numbered T-1 and delivered to the Attorney General. Bonds registered and delivered by the Registrar subsequent to the Initial Bonds shall be numbered by the Registrar R-1 upward and no two Bonds shall be given the same number. The Bonds registered and delivered subsequent to the Initial Bond shall be in principal denominations of \$5,000 or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. Bonds shall bear interest from July 1, 2009, at the rate or rates set forth in the following schedule on the basis of a 360 day year composed of twelve 30-day months, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Five hereof, on June 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>
2011	\$ 45,000	5.000%	2023	****	****
2012	50,000	5.000	2024	****	****
2013	50,000	5.000	2025	****	****
2014	55,000	4.500	2026	****	****
2015	60,000	4.375	2027	****	****
2016	65,000	4.375	2028	****	****
2017	65,000	4.375	2029	****	****
2018	****	****	2030	****	****
2019	****	****	2031	\$1,190,000	6.000%
2020	****	****	2032	****	****
2021	****	****	2033	380,000	5.500
2022	405,000	5.250			

SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at a corporate trust office of the Registrar. The interest on each Bond shall be payable on June 1, 2010, and semiannually thereafter on December 1 and June 1 of each year by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

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

SECTION 3.05. SUCCESSOR REGISTRAR. The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 30 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 3.06. SPECIAL RECORD DATE. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

SECTION 3.07. REGISTERED OWNERS. The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

SECTION 3.08. EXECUTION OF BONDS. The Bonds shall be signed on behalf of the District by the President of the Board of Directors and attested by the Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

SECTION 3.09. AUTHENTICATION. The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially

in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Order.

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

ARTICLE FOUR

REGISTRATION, TRANSFER, AND EXCHANGE

SECTION 4.01. REGISTRATION, TRANSFER, AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep at its designated office for payment the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Bond Order.

Each Bond shall be transferable only upon the presentation and surrender thereof at the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the

benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

SECTION 4.02. MUTILATED, LOST, OR STOLEN BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

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

- (a) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;
- (c) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) meet any other reasonable requirements of the District and the Registrar.

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

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

Each replacement Bond delivered in accordance with this Section 4.02 shall be entitled to the benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

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

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

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

ARTICLE SIX

FORM OF BOND

SECTION 6.01. FORM OF BOND. The Bonds authorized by this Bond Order shall be in substantially the following Form, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the terms of this Bond Order. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Bond Order.

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BOND,
SERIES 2009**

NO. R-

**PRINCIPAL
AMOUNT**

\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

July 1, 2009

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, **BRUSHY CREEK MUNICIPAL UTILITY DISTRICT** (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from July 1, 2009 on June 1, 2010 and semiannually on each June 1 and December 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

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 Wells Fargo Bank, N.A. which is the "Registrar" or "Paying Agent/Registrar" for this Bond at its designated office for payment in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such interest payment date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment

Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

THIS BOND is one of a series of Bonds dated as of July 1, 2009 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$2,365,000 FOR THE PURPOSE OF FINANCING (1) WATER, WASTEWATER AND DRAINAGE FACILITIES TO SERVE THE FOLLOWING DEVELOPMENT: SENDERO SPRINGS SECTION FIVE, HIGHLAND HORIZONS PHASE 1 SINGLE FAMILY,**

HIGHLAND HORIZONS PHASE 1 MULTI-FAMILY AND HIGHLAND HORIZONS PHASE 1 COMMERCIAL; (2) INSPECTION FEES; (3) CAPITALIZE APPROXIMATELY EIGHTEEN MONTHS' INTEREST REQUIREMENTS ON THE BONDS; AND (4) PAY CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.

ON JUNE 1, 2016 OR ON ANY DATE THEREAFTER, the Bonds maturing on and after June 1, 2017, inclusive, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

THE BONDS MATURING ON JUNE 1, 2022, June 1, 2031 and June 1, 2033 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

Term Bond Maturing on June 1, 2022

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2018	\$70,000
June 1, 2019	75,000
June 1, 2020	80,000
June 1, 2021	85,000
June 1, 2022*	95,000

*Final Maturity

Term Bond Maturing on June 1, 2031

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2023	\$100,000
June 1, 2024	105,000
June 1, 2025	115,000
June 1, 2026	120,000
June 1, 2027	130,000
June 1, 2028	140,000
June 1, 2029	150,000
June 1, 2030	160,000
June 1, 2031*	170,000

*Final Maturity

Term Bond Maturing on June 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2032	\$185,000
June 1, 2033*	195,000

*Final Maturity

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

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

WITH RESPECT TO any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed

for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

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

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

districts. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or 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 Registrar in accordance with the Bond Order or (ii) a City dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

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

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

TO THE EXTENT permitted by and in the manner provided in the Bond Order, the terms and provisions of the Bond Order and the rights of the Registered Owners of the Bonds may be modified with, in certain circumstances, the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds affected thereby; provided, however, that, without the

consent of the Registered Owners of all of the Bonds affected, no such modification shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the Defined Area within 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 Defined Area of the District and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

IN WITNESS WHEREOF, the District has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the District and countersigned with the manual or facsimile signature of the 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.

**BRUSHY CREEK MUNICIPAL UTILITY
DISTRICT**

Secretary, Board of Directors

President, Board of Directors

(SEAL)

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

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

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from July 1, 2009 at the respective Interest Rate per annum specified above. Interest is payable on June 1, 2010 and semiannually on each December 1 and June 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

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

SECTION 6.02. REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bond shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed on the face of the Initial Bond and shall be in substantially the following form:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

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

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

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

Dated:

WELLS FARGO BANK, N.A.
Registrar

By _____
Authorized Representative

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

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

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

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

ARTICLE SEVEN

SECURITY OF THE BONDS

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

SECTION 7.02. LEVY OF TAX. (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property within the Defined Area of the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with revenues and receipts from other sources that are legally available for such purpose, shall be levied and collected and applied to the payment of principal and interest on the Bonds, as follows:

- (1) By September 1 in each year, or as soon thereafter as practicable, the Board shall consider the taxable property within the Defined Area of the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property within the Defined Area of the District.
- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
 - (i) the amount which should be levied for maintenance and operation purposes;
 - (ii) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes;
 - (iii) the amount which should be levied for the purpose of paying all other contractual obligations of the District payable in whole or in part from the Defined Area taxes; and
 - (iv) the percentage of anticipated tax collections and the cost of collecting the taxes.

- (3) In determining the amount of taxes which should be levied each year, the Board shall consider whether proceeds from the sale of Bonds have been placed in the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund to pay interest on the Bonds and whether the Board reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

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

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

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

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

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

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

(except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

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

ARTICLE EIGHT

FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01. CREATION OF FUNDS. The Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund are hereby created or confirmed. Each fund shall be kept separate and apart from all other funds of the District. The Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund shall constitute a trust fund which shall be held in trust by the District for the benefit of the holders of the Bonds.

SECTION 8.02. SERIES 2009 SENDERO SPRINGS AND CORNERSTONE DEFINED AREA CAPITAL PROJECTS FUND. The Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall comprise the capital improvements fund of the Defined Area of the District. The District shall deposit to the credit of the Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposit to the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund provided in Section 9.02 of this Order. The Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall be applied solely to pay (i) the costs necessary or appropriate to accomplish such of the purposes for which the Bonds are issued as approved by the Commission with any surplus proceeds subject to the Commission's rules and (ii) the costs of issuing the Bonds. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 3.01 of this Order and the Bond Election, any interest earnings remaining on hand shall be deposited in the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.03. SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor or the Federal Savings and Loan Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

SECTION 8.04. DEBT SERVICE FUND; TAX LEVY. The District shall deposit or cause to be deposited into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund the aggregate of the following at the time specified:

- (a) As soon as practicable after the Bonds are sold, accrued interest on the Bonds from their date to the date of their delivery and capitalized interest on the Bonds for 18 months; and
- (b) The proceeds from collection of the ad valorem taxes levied, assessed and collected for and on account of the Bonds pursuant to Section 7.02 hereof, less costs of collection, as collected.

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing, direct annual ad valorem tax upon all taxable property within the Defined Area of the District sufficient to pay the current interest on the Bonds as the same becomes due, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. On or before the date for payment of the principal and/or Interest Payment Date on the Bonds, the Board of Directors shall cause the transfer of moneys out of the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund to the Registrar in an amount not less than that which is sufficient to pay the principal which matures on such date and the interest which accrues on such date. The District shall pay fees and charges of the Registrar for its services as paying agent and registrar for the Bonds from the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.05. INVESTMENTS; EARNINGS. Moneys deposited into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

ARTICLE NINE

APPLICATION OF BOND PROCEEDS

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

SECTION 9.02. ACCRUED AND CAPITALIZED INTEREST. Moneys received from the purchaser of the Bonds representing accrued interest on the Bonds from their date to the date of their actual delivery shall be deposited into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund. In addition, proceeds of the Bonds representing capitalized interest shall be deposited into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 9.03. CAPITAL PROJECTS. Proceeds of the Bonds necessary to complete the purposes set forth in Section 3.01 herein and to pay the costs of issuance of the Bonds shall be deposited in the Series 2009 Sendero Springs and Cornerstone Defined Area Capital Projects Fund. Any surplus bond proceeds after completion of the projects authorized in the Commission Order, shall be subject to the Commission rules.

ARTICLE TEN

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

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

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

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

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

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

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

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

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

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

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

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

(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 that 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 rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President 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 3.01 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 District covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes 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.

(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 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011) 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 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011); and (c) that the District will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

ARTICLE ELEVEN

ADDITIONAL BONDS AND REFUNDING BONDS

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

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

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

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

ARTICLE TWELVE

DEFAULT PROVISIONS

SECTION 12.01. REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal of or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Series 2009 Sendero Springs and Cornerstone Defined Area Debt Service Fund, or defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Bond Order, the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations, or conditions prescribed in this Bond Order. Any delay or omission to exercise any right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

ARTICLE THIRTEEN

DISCHARGE BY DEPOSIT

SECTION 13.01. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar 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 for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Order. Any money so deposited with the Paying Agent/Registrar or 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.

ARTICLE FOURTEEN

MISCELLANEOUS PROVISIONS

SECTION 14.01. DISTRICT'S SUCCESSORS AND ASSIGNS. Whenever in this Bond Order the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Order by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

SECTION 14.02. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Order against any officer or director of the District or any person executing the Bonds.

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

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

SECTION 14.05. BENEFITS OF PROVISIONS. Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

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

such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Order be deemed to be in compliance with the requirements for publication thereof.

SECTION 14.07. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Order and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Order to any other persons or circumstances shall not be affected thereby.

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

SECTION 14.09. FURTHER PROCEEDINGS. The 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.

ARTICLE FIFTEEN

SALE AND DELIVERY OF BONDS AND APPROVAL OF DOCUMENTS

SECTION 15.01. SALE OF BONDS. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to First Southwest Company at a price of 97% of the par amount (\$2,294,196.75) plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Chapter 1204, Government Code, as amended is 5.900438% which rate is not more than two (2) percent above the highest average interest rate reported by the "Daily Bond Buyer" in its weekly "Bond Index" during the one month period preceding May 29, 2009. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Initial Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Bonds shall initially be registered in the name of Cede & Co.

SECTION 15.02. APPROVAL, REGISTRATION, AND DELIVERY. The President of the Board of Directors of the District and representatives of McCall, Parkhurst & Horton L.L.P. are hereby authorized and directed to submit the Initial Bond and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bond to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bond, the Comptroller of Public Accounts

(or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on the Initial Bond, and the seal of the Comptroller shall be impressed or placed in facsimile on the Initial Bond. After the Initial Bond has been registered, signed, and sealed by the Comptroller, it shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price.

SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS AND PAYING AGENT/REGISTRAR AGREEMENT. A "Notice of Sale and Bidding Instructions", an "Official Bid Form", and a "Preliminary Official Statement", dated May 29, 2009 were prepared and distributed in connection with the sale of the Bonds (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use in the offer and sale of the Bonds is hereby approved.

The Paying Agent/Registrar Agreement by and between the District and Wells Fargo Bank, N.A., Austin, Texas ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "B" 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.

ARTICLE SIXTEEN

OPEN MEETING AND EFFECTIVE DATE

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

SECTION 16.02. EFFECTIVE DATE OF BOND ORDER. This Bond Order shall take effect and be in full force and effect upon and after its passage.

ARTICLE SEVENTEEN

AMENDMENTS

SECTION 17.01. AMENDMENTS. (a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the

right from time to time to approve any amendment to this Bond Order which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 17.01, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Order or the Bonds so as to:

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

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

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

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

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

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

ARTICLE EIGHTEEN

CONTINUING DISCLOSURE UNDERTAKING

Section 18.01. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the District of the general type described in Exhibit "C" hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "C" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available

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

The financial information and operating data to be provided pursuant to this paragraph (a) may be set forth in full one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Material Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by 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:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The District shall notify the MSRB, in an electronic format as prescribed by, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with paragraph (a) of this Section 18.01 by the time required by such paragraph. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 9 of this Order that causes Bonds no longer to be outstanding.

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

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

No default by the District in observing or performing its obligations under this section shall comprise a breach of or default under the Order for purposes of any other provision of this Order.

Should the Rule be amended to obligate the District to make filings with or provide notices to entities other than the MSRB, the District hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended.

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

The provisions of this section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the District, but only if (1) the provisions of this section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of this section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The

District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

ARTICLE NINETEEN

OTHER ACTIONS

SECTION 19.01. OTHER ACTIONS. The President or Vice President and Secretary of the Board of Directors of the District, the General Manager and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the sale of the Bonds and the Official Statement.

ARTICLE TWENTY

PAYMENT OF THE ATTORNEY GENERAL FEE

SECTION 20.01. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

EXHIBIT "A"
METES AND BOUNDS DESCRIPTION

FIELD NOTES FOR 222.785 ACRES

FIELD NOTES DESCRIBING 222.785 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being a portion of the remainder of that certain 474.91 acre tract of land conveyed to Hy-Land North Joint Venture by Warranty Deed recorded in Volume 639, Page 693 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as PARCEL "A", PARCEL "B" and PARCEL "C" as follows:

PARCEL "A" (27.239 ACRES)

BEGINNING at an iron found on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 28, Block 14, Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of the Plat Records of Williamson County, Texas, for the Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the South right-of-way line of F.M. 1431, N70°16'46"E, 814.55 feet to an iron pin set at the Northwest corner of Lot 31, Block B, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for an ell corner of this tract.

THENCE along the perimeter of said Lot 31, Block B, the following two (2) courses:

1. S19°43'14"E, 10.00 feet to an iron pin set for an angle point of this tract.
2. S83°09'19"E, 122.98 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Northeast corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. S19°43'14"E, 95.00 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears S26°50'44"E, 100.78 feet to an iron pin set at the Point of Reverse Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 11°30'50".
3. along the arc of said curve 81.64 feet, the sub-chord of which bears S28°12'48"E, 81.50 feet to an iron pin set at the Northeast corner of Lot 24, Block B of said Sendero Springs Section One, for the Point of Tangency of said curve.

THENCE along the perimeter of Sendero Springs, the following ten (10) courses:

1. S70°16'46"W, 592.09 feet to an iron pin set for an angle point of this tract.
2. S00°32'31"W, 167.32 feet to an iron pin set for an angle point of this tract.
3. S10°17'10"W, 124.03 feet to an iron pin set for an angle point of this tract.
4. N87°49'59"E, 217.61 feet to an iron pin set for an angle point of this tract.
5. N70°16'46"E, 85.00 feet to an iron pin set for an ell corner of this tract.
6. S19°43'14"E, 125.00 feet to an iron pin set for an ell corner of this tract.
7. S70°16'46"W, 18.64 feet to an iron pin set for an ell corner of this tract.
8. S19°43'14"E, 50.00 feet to an iron pin set for an angle point of this tract.
9. S26°18'50"E, 135.90 feet to an iron pin set for an angle point of this tract.
10. N70°16'46"E, 423.09 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for an ell corner of this tract.

THENCE along the West right-of-way line of Sendero Springs Drive, the following two (2) courses:

1. S19°43'14"E, 110.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".
2. along the arc of said curve 39.27 feet, the long chord of which bears S25°16'46"W, 35.36 feet to an iron pin set on the North right-of-way line of Luminoso Lane West, for the Point of Tangency of said curve.

THENCE crossing said Luminoso Lane West, S19°43'14"E, 50.00 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 90°00'00".

THENCE along the arc of said curve 39.27 feet, the long chord of which bears S64°43'14"E, 35.36 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive, for the Point of Tangency of said curve.

THENCE along the West right-of-way line of Sendero Springs Drive, the following four (4) courses:

1. S19°43'14"E, 4.09 feet to an iron pin set at the Point of Curvature of a curve to the right having a radius of 511.93 feet and a central angle of 5°56'24".
2. along the arc of said curve 53.07 feet, the long chord of which bears S16°45'02"E, 53.05 feet to an iron pin set at the Point of Tangency of said curve.
3. S13°46'50"E, 140.41 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 13°29'04".

4. along the arc of said curve 129.44 feet, the long chord of which bears S20°31'22"E, 129.14 feet to an iron pin set on the Northwest right-of-way line of Great Oaks Drive, for the Point of Reverse Curvature of a curve to the right having a radius of 25.00 feet and a central angle of 82°30'19".

THENCE along the Northwest right-of-way line of Great Oaks Drive, the following five (5) courses:

1. along the arc of said curve 36.00 feet, the long chord of which bears S13°59'15"W, 32.97 feet to an iron pin set at the Point of Tangency of said curve.
2. S55°14'25"W, 41.15 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 17°45'15".
3. along the arc of said curve 170.43 feet, the long chord of which bears S46°21'47"W, 169.75 feet to an iron pin set at the Point of Tangency of said curve.
4. S37°29'09"W, 102.73 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 935.00 feet and a central angle of 11°51'59".
5. along the arc of said curve 193.65 feet, the long chord of which bears S33°31'10"W, 193.90 feet to an iron pin set at the East corner of Lot 2, Block 18 of said Brushy Creek North Section Two, for the South corner of this tract.

THENCE along the perimeter of said Brushy Creek North Section Two, the following twenty (20) courses:

1. N57°41'05"W, 150.00 feet to an iron pin found for an angle point of this tract.
2. N77°31'05"W, 115.01 feet to an iron pin found for an angle point of this tract.
3. N67°32'22"W, 69.61 feet to an iron pin found for an angle point of this tract.
4. N11°56'05"E, 159.72 feet to an iron pin found for an angle point of this tract.
5. N61°16'56"W, 150.04 feet to an iron pin found on the Southeast right-of-way line of Pheasant Hollow at the North corner of Lot 11, Block 18 of said Section Two, for an angle point of this tract.
6. N61°16'56"W, 50.00 feet to an iron pin set on the Northwest right-of-way line of Pheasant Hollow, for an angle point of this tract.
7. along the Northwest right-of-way line of Pheasant Hollow, S26°29'36"W, 14.82 feet to an iron pin found at the East corner of Lot 1, Block 19 of said Section Two, for an angle point of this tract.
8. N61°10'15"W, 200.13 feet to an iron pin found for an angle point of this tract.
9. N28°49'29"E, 80.14 feet to an iron pin found for an angle point of this tract.
10. N59°55'06"W, 69.95 feet to an iron pin found for an angle point of this tract.
11. S83°24'37"W, 150.20 feet to an iron pin found for on the East right-of-way line of Quail Run at the Northwest corner of Lot 2, Block 19 of said Section Two, for an angle point of this tract.

12. S83°08'21"W, 49.87 feet to an iron pin found on the West right-of-way line of Quail Run, for an angle point of this tract.
13. along the West right-of-way line of Quail Run, N06°54'06"W, 15.00 feet to an iron pin set at the Northeast corner of Lot 16, Block 17 of said Section Two, for an angle point of this tract.
14. S80°11'12"W, 173.86 feet to an iron pin found for an angle point of this tract.
15. N00°45'49"E, 167.06 feet to an iron pin found for an angle point of this tract.
16. N10°12'04"E, 60.08 feet to an iron pin found for an angle point of this tract.
17. N10°10'21"E, 461.48 feet to an iron pin set for an angle point of this tract.
18. N28°09'43"W, 144.92 feet to an iron pin found on the South right-of-way line of Deer Track at the Northeast corner of Lot 1 of said Block 17, for an angle point of this tract.
19. N19°08'36"W, 50.02 feet to an iron pin found on the North right-of-way line of Deer Track at the Southeast corner of Lot 28, Block 14 of said Section Two, for an angle point of this tract.
20. N19°47'56"W, 150.01 to the POINT OF BEGINNING of the herein described tract, containing 27.239 acres of land, more or less.

PARCEL "B" (1.572 ACRES)

BEGINNING at an iron set on the South right-of-way line of F.M. 1431, at the Northeast corner of Lot 141, Block K, Sendero Springs Section One, a subdivision of record in Cabinet U, Slides 318-322 of said Plat Records, for the most Northerly Northwest corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the North right-of-way line of F.M. 1431, N70°16'46"E, 165.00 feet to an iron pin set at the Northwest corner of Lot 138, of said Block K, for an ell corner of this tract.

THENCE along an East line of said Block K, S19°43'14"E, 262.46 feet to an iron pin set at the common rear corner of Lots 124, 125 and 127 of said Block K, for the Southeast corner of this tract.

THENCE along a North line of said Block K, S70°16'46"W, 288.12 feet to an iron pin set on the East right-of-way line of Sendero Springs Drive at the Northwest corner of Lot 139 of said Block K, being the Point of Curvature of a curve to the right having a radius of 406.25 feet and a central angle of 0°21'28".

THENCE along the West right-of-way line of Sendero Springs Drive, the following three (3) courses:

1. along the arc of said curve 2.54 feet, the sub-chord of which bears N05°38'58"W, 2.54 feet to an iron pin set at the Point of Reverse Curvature of a curve to the left having a radius of 406.25 feet and a central angle of 14°15'00".
2. along the arc of said curve 101.04 feet, the long chord of which bears N12°35'43"W, 100.78 feet to an iron pin set at the Point of Tangency of said curve.
3. N19°43'14"W, 95.00 feet to an iron pin set at the South corner of said Lot 141, for an angle point of this tract.

THENCE along the perimeter of said Lot 141, the following two (2) courses:

1. N43°42'52"E, 122.98 feet to an iron pin set for an angle point of this tract.
2. N19°43'14"W, 10.00 feet to the POINT OF BEGINNING of the herein described tract, containing 1.572 acres of land, more or less.

PARCEL "C" (193.974 ACRES)

BEGINNING at a brass disk found on the South right-of-way line of F.M. 1431, at the Northeast corner of the remainder of said 474.91 acre tract, for the Northeast corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE along the East line of said 474.91 acre tract, for the East line hereof, the following three (3) courses:

1. S21°05'27"E, 1718.82 feet to an angle point of this tract.
2. S67°58'25"W, 173.81 feet to an angle point of this tract.
3. S20°59'47"E, 2194.57 feet to the Southeast corner of said 474.91 acre tract, for the Southeast corner of this tract.

THENCE along the South line of said 474.91 acre tract, for the South line hereof, the following four (4) courses)

1. S65°42'43"W, 598.71 feet to an angle point of this tract.
2. S69°23'43"W, 1291.68 feet to an angle point of this tract.
3. S69°23'43"W, 100.00 feet to an angle point of this tract.
4. S69°23'43"W, 150.00 feet to the Southeast corner of Lot 34, Block 5, Brushy Creek North Section One, a subdivision of record in Cabinet C, Slides 303-309 of said Plat Records, for the Southwest corner of this tract.

THENCE along the East line of said Section One, and the East line of Brushy Creek North Section Two, a subdivision of record in Cabinet C, Slides 332-337 of said Plat Records, the following eleven (1) courses:

1. N20°37'42"W, 149.97 feet to an angle point of this tract.
2. N20°29'53"W, 1000.82 feet to an angle point of this tract.
3. N25°58'16"W, 171.13 feet to an angle point of this tract.
4. N36°27'01"W, 171.10 feet to an angle point of this tract.
5. N46°55'45"W, 171.10 feet to an iron pipe found for an angle point of this tract.
6. N57°11'47"W, 171.45 feet to an iron pin found for an angle point of this tract.
7. N67°37'54"W, 171.08 feet to an iron pin found for an angle point of this tract.
8. N76°11'14"W, 92.36 feet to an iron pipe found for an angle point of this tract.
9. N78°08'31"W, 79.64 feet to an iron pin found for an angle point of this tract.
10. N55°17'53"W, 199.98 feet to an iron pipe found at the North corner of Lot 12, Block 11 of said Brushy Creek North Section Two, for an angle point of this tract.
11. S42°26'56"W, 47.20 feet to an iron pin found for at the Southeast corner of Lot 1, Block F, of said Sendero Springs Section One, for an angle point of this tract.

THENCE along the perimeter of Sendero Springs Section One, the following twenty-nine (20) courses:

1. N50°34'54"W, 63.72 feet to an iron pin set at the South corner of Lot 2 of said Block F, for an angle point of this tract.
2. N39°18'26"E, 174.40 feet to an iron pin set on the West right-of-way line of Sendero Springs Drive at the Point of Curvature of a curve to the left having a radius of 550.00 feet and a central angle of 3°11'22".
3. along the West right-of-way line of Sendero Springs Drive, along the arc of said curve 30.62 feet, the sub-chord of which bears S52°17'15"E, 30.61 feet to an iron pin set at the Point of Tangency of said curve.
4. N36°14'40"E, 236.82 feet to an iron pin set at the East corner of Lot 26, Block M of said Sendero Springs Section One, for an ell corner of this tract.
5. N53°45'20"W, 35.00 feet to an iron pin set for an ell corner of this tract.
6. N36°14'40"E, 268.84 feet to an iron pin set for an angle point of this tract.
7. S73°03'39"E, 124.19 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 195.00 feet and a central angle of 31°58'29".
8. along the arc of said curve 108.82 feet, the sub-chord of which bears N04°00'04"E, 107.42 feet to an iron pin set at the Point of Tangency of said curve.
9. N11°59'11"W, 100.25 feet to an iron pin set at the Point of Curvature of a curve to the left having a radius of 175.00 feet and a central angle of 24°20'10".
10. along the arc of said curve 74.33 feet, the long chord of which bears N24°09'16"W, 73.77 feet to an iron pin set at the Point of Tangency of said curve.

11. N36°19'21"W, 44.35 feet to an iron pin set for an ell corner of this tract.
12. S53°40'39"W, 148.61 feet to an iron pin set for an angle point of this tract.
13. N36°39'50"W, 161.02 feet to an iron pin set for an angle point of this tract.
14. N14°34'49"W, 19.71 feet to an iron pin set for an angle point of this tract.
15. N03°18'26"E, 132.48 feet to an iron pin set for an angle point of this tract.
16. N63°34'50"E, 165.54 feet to an iron pin set at the Southwest corner of Lot 12 of said Block M, for an angle point of this tract.
17. N70°14'06"E, 131.81 feet to an iron pin set for an angle point of this tract.
18. N62°49'47"E, 123.59 feet to an iron pin set on the West right-of-way line of Luminoso Lane East, for an ell corner of this tract.
19. along the West right-of-way line of Luminoso Lane East, S27°10'13"E, 13.07 to an iron pin set for an angle point of this tract.
20. N64°28'29"E, 129.36 feet to an iron pin set at the common rear corner of Lots 94 and 95 of Block K of said Sendero Springs Section One, for an angle point of this tract.
21. N67°50'10"E, 110.30 feet to an iron pin set at the common rear corner of Lots 96 and 97 of said Block K, for an angle point of this tract.
22. N69°25'47"E, 60.07 feet to an iron pin set at the common rear corner of Lots 97 and 98 of said Block K, for an angle point of this tract.
23. N70°47'37"E, 60.02 feet to an iron pin set at the common rear corner of Lots 98 and 99 of said Block K, for an angle point of this tract.
24. N72°14'15"E, 280.96 feet to an iron pin set at the East corner of said Lot 100 of said Block K, for an angle point of this tract.
25. N39°34'08"W, 243.96 feet to an iron pin set at the common rear corner of Lots 101 and 102 of said Block K, for an angle point of this tract.
26. N40°12'46"W, 171.63 feet to an iron pin set at the common rear corner of Lots 102 and 106 of said Block K, for an angle point of this tract.
27. N46°41'27"W, 237.44 feet to an iron pin set at the common rear corner of Lots 107 and 108 of said Block K, for an angle point of this tract.
28. N47°32'05"W, 295.98 feet to an iron pin set for an angle point of this tract.
29. N35°04'41"W, 55.69 feet to an iron pin set on the South right-of-way line of F.M. 1431 at the Northeast corner of Lot 138 of said Block K, for the Northwest corner of this tract.

THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

1. N70°16'46"E, 964.30 feet to a brass disk found for an angle point of this tract.
2. N70°24'56"E, 762.23 feet to the POINT OF BEGINNING of the herein described tract, containing 193.974 acres of land, more or less

IN ALL, said PARCEL "A", said PARCEL "B" and said PARCEL "C" contain an aggregate total of 222.785 acres of land, more or less

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray♦Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in cursive script, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

A handwritten date "25 September 01" written over a horizontal line.

Date

FIELD NOTES FOR 193.898 ACRES

FIELD NOTES DESCRIBING 193.898 acres of land, out of and a part of the Ephriam Evans Survey, Abstract No. 212, situated in Williamson County, Texas, being all of certain tract of land, described as 193.96 acres, conveyed to HRI Development Corporation by deed recorded in Volume 1660, Page 105 of the Deed Records of Williamson County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point on the Southeast right-of-way line of R.R. 620 at the West corner of that certain 410.00 acre tract of land conveyed to Robinson Land, Ltd., by deed recorded in Volume 1996, Page 57 of said Deed Records, for the North corner and POINT OF BEGINNING of the hereinafter described tract.

THENCE departing the Southeast right-of-way line of R.R. 620, along the East line hereof, the following two (2) courses)

1. S19°14'22"E, 1922.61 feet to an angle point of this tract.
2. S19°03'09"E, 1920.67 feet to the Southeast corner of this tract.

THENCE along the South hereof, the following two (2) courses)

1. S71°12'07"W, 2313.01 feet to an angle point of this tract.
2. S70°30'49"W, 991.72 feet to the Southwest corner of this tract.

THENCE along the West line hereof, N19°40'28"W, 1364.91 feet to a point on the Southeast right-of-way line of R.R. 620, for the West corner of this tract.

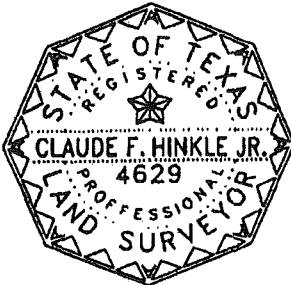
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

1. N36°39'52"E, 1934.46 feet to the Point of Curvature of a curve to the left having a radius of 5779.56 feet and a central angle of 6°39'00".
2. along the arc of said curve 670.80 feet, the long chord of which bears N33°20'22"E, 670.42 feet to the Point of Tangency of said curve.
3. N30°00'52"E, 836.20 feet to the Point of Curvature of a curve to the right having a radius of 5679.56 feet and a central angle of 4°32'00".
4. along the arc of said curve 449.38 feet, the long chord of which bears N32°16'52"E, 449.26 feet to the Point of Tangency of said curve.

5. N34°32'52"E, 250.01 feet to the POINT OF BEGINNING of the herein described tract containing 193.898 acres of land, more or less.

I, Claude F. Hinkle, Jr., a REGISTERED PROFESSIONAL LAND SURVEYOR, do hereby certify that these field notes were prepared from existing records, supplemental surveys, and computations made by Austin Surveyors and Gray♦Jansing & Associates, Inc., and are true and correct to the best of my knowledge and belief. These field notes are to be used only as an exhibit for the Brushy Creek M.U.D. Defined Area Bond Issue. Any use by these or any other persons or entities for any other purpose is expressly prohibited.

AUSTIN SURVEYORS
P. O. Box 180243
Austin, Texas 78757



A handwritten signature in black ink, appearing to read "Claude F. Hinkle, Jr.", written over a horizontal line.

Claude F. Hinkle, Jr.
Registered Professional Land Surveyor No. 4629

Date 25 September 01

EXHIBIT "B"

PAYING AGENT/REGISTRAR AGREEMENT

[See Separate Tab of this Transcript]

EXHIBIT "C"

CONTINUING DISCLOSURE

1. All quantitative financial information and operating data with respect to the District of the general type included under the heading "DEFINED AREA DEBT" (except Estimated Overlapping Debt Statement), "TAX DATA," and "THE SYSTEM - Water and Wastewater Operations."

2. Appendix A in the Official Statement.

Accounting Principles

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



for assistance call: 703-797-6668



Continuing Disclosure Preview

Submission Status: Not Published

You are currently acting on behalf of: McCall, Parkhurst & Horton L.L.P.

[Back](#) [Publish](#)

PREVIEW

EVENT FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Bond Call dated 06/30/2015

Defeasance: Notices of Redemption/Defeasance, dated 06/30/2015

VIEW DOCUMENTS

Event Filing dated 06/30/2015

NORs 6-18-15.pdf posted 06/30/2015 [View](#)

Total CUSIPs associated with this submission: 11

The following issuers are associated with this Continuing Disclosure Submission:

CUSIP-6	State	Issuer Name
117464	TX	BRUSHY CREEK MUN UTIL DIST TEX

The following securities have been published with this Continuing Disclosure Submission:

Displaying 11 CUSIPs

- 117464JB4
- 117464JF5
- 117464JK4
- 117464JP3
- 117464KB2
- 117464KL0
- 117464KN6
- 117464SN8
- 117464SP3
- 117464SQ1
- 117464SR9

SUBMITTER'S CONTACT INFORMATION

Company: McCall, Parkhurst & Horton L.L.P.
 Name: KRISTEN RANDOLPH
 Address: 600 CONGRESS AVENUE, SUITE 1800
 City, State: AUSTIN, TX 78701
 Zip:
 Phone Number: 512-478-3805
 Email: krandolph@mphlegal.com

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1.2.94.0-243-R



Municipal Securities Rulemaking Board

Submission ID:ER715540
06/30/2015 12:57:10

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

EVENT FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Bond Call dated 06/30/2015

Defeasance: Notices of Redemption/Defeasance, dated 06/30/2015

Documents

Event Filing dated 06/30/2015

[NORs 6-18-15.pdf](#) posted 06/30/2015

The following Issuers are associated with this Continuing Disclosure submission:

CUSIP-6	State	Issuer Name
117464	TX	BRUSHY CREEK MUN UTIL DIST TEX

The following 11 securities have been published with this Continuing Disclosure submission:

CUSIP-9	Maturity Date
117464JB4	06/01/2019
117464JF5	06/01/2023
117464JK4	06/01/2027
117464JP3	06/01/2031
117464KB2	06/01/2022
117464KL0	06/01/2031
117464KN6	06/01/2033
117464SN8	06/01/2019

117464SP3	06/01/2019
117464SQ1	06/01/2022
117464SR9	06/01/2022

Submitter's Contact Information

Company: McCall, Parkhurst & Horton L.L.P.
Name: KRISTEN RANDOLPH
Address: 600 CONGRESS AVENUE, SUITE 1800
City, State Zip: AUSTIN, TX 78701
Phone Number: 5124783805
Email: krandolph@mphlegal.com

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Kristen Randolph

From: EMMANotifications@msrb.org
Sent: Tuesday, June 30, 2015 12:05 PM
To: Kristen Randolph
Subject: Published Submission Confirmation

Your Continuing Disclosure Submission has been published.

SubmissionId: ER715540

Disclosure Type: EVENT FILING
Bond Call dated 06/30/2015
Defeasance: Notices of Redemption/Defeasance dated 06/30/2015

Document Name: Event Filing dated 06/30/2015 dated 06/30/2015
NORs 6-18-15.pdf posted 06/30/2015 12:57:10 PM

The following Issuers are associated with this Continuing Disclosure Submission:

CUSIP6	State	Issuer Name
117464	TX	BRUSHY CREEK MUN UTIL DIST TEX

The following 11 Securities have been published with this Continuing Disclosure Submission:

Security: CUSIP - 117464JB4, Maturity Date - 06/01/2019
Security: CUSIP - 117464JF5, Maturity Date - 06/01/2023
Security: CUSIP - 117464JK4, Maturity Date - 06/01/2027
Security: CUSIP - 117464JP3, Maturity Date - 06/01/2031
Security: CUSIP - 117464KB2, Maturity Date - 06/01/2022
Security: CUSIP - 117464KLO, Maturity Date - 06/01/2031
Security: CUSIP - 117464KN6, Maturity Date - 06/01/2033
Security: CUSIP - 117464SN8, Maturity Date - 06/01/2019
Security: CUSIP - 117464SP3, Maturity Date - 06/01/2019
Security: CUSIP - 117464SQ1, Maturity Date - 06/01/2022
Security: CUSIP - 117464SR9, Maturity Date - 06/01/2022

Please follow the link to view this submission:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER715540>

Please follow the link to make changes to this submission:

<http://dataport.emma.msrb.org/AboutDataport.aspx>

PLEASE DO NOT REPLY. This is a system-generated e-mail. If you need assistance please contact the MSRB at 703-797-6668 or you may obtain more information at www.msrb.org.



MUNICIPAL BOND INSURANCE POLICY

ISSUER: Brushy Creek Municipal Utility District, Texas

Policy No: 2015B0438

MEMBER: Brushy Creek Municipal Utility District, Texas

Effective Date: June 30, 2015

BONDS: \$3,625,000 in aggregate principal
amount of Sendero Springs and Cornerstone Defined Area
Unlimited Tax Refunding Bonds, Series 2015

Risk Premium:	\$3,625.00
Member Surplus Contribution:	\$7,456.14
Total Insurance Payment:	\$11,081.14

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall

elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

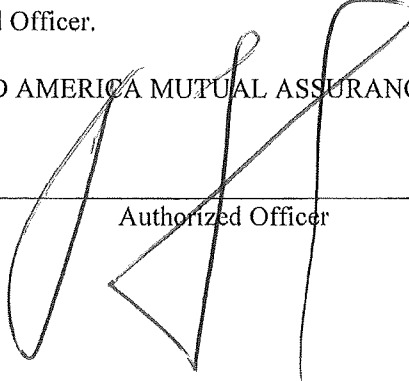
To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

IN WITNESS WHEREOF, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer



Schedule A

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)



June 30, 2015

Brushy Creek Municipal Utility District
c/o McCall, Parkhurst & Horton L.L.P.,
600 Congress Avenue
Austin, TX 78701

Robert W. Baird & Co.
1001 Fannin, Suite 1200
Houston, TX 77002

Wells Fargo Bank, N.A.
625 Marquette Avenue, 11th Floor
Minneapolis, MN 55479

RE: Policy: 2015B0438
Member: Brushy Creek Municipal Utility District, Texas
Bonds: Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding
Bonds, Series 2015

Date of the Official Statement: May 27, 2015

Ladies and Gentlemen:

I am Counsel of Build America Mutual Assurance Company, a New York mutual insurance company ("BAM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by BAM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. BAM is a mutual insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein and in the State of Texas.
2. The Policy has been duly authorized, executed and delivered by BAM.
3. The Policy constitutes the valid and binding obligation of BAM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the

bankruptcy or insolvency of BAM and to the application of general principles of equity.

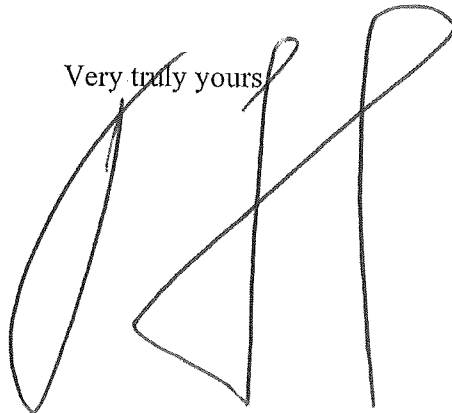
4. The issuance of the Policy qualifies the Member as a member of BAM until the Bonds are no longer outstanding. As a member of BAM, the Member is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

In addition, please be advised that I have reviewed the description of the Policy under the caption "MUNICIPAL BOND INSURANCE" in the official statement related to the above-referenced Bonds (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that except as described above, I express no opinion with respect to any information contained in, or omitted from, the Official Statement.

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

This letter and the legal opinions herein are intended for the information solely of the addressees hereof and solely for the purposes of the transactions described in the Official Statement and are not to be relied upon by any other person or entity (including, without limitation, any person or entity that acquires bonds from an addressee of this letter.) I do not undertake to advise you of matters that may come to my attention subsequent to the date hereof that may affect the conclusions expressed herein.

Very truly yours

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by a vertical line and a large loop at the top.



**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM Policy No.: 2015B0438

BONDS: \$3,625,000 in aggregate principal amount of
Brushy Creek Municipal Utility District, Texas
Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

Date of the Official Statement: May 27, 2015

The undersigned hereby certifies on behalf of BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), in connection with the issuance by BAM of its Policy referenced above (the "Policy") in respect of the Bonds referenced above (the "Bonds") that:

(i) The information set forth under the caption "MUNICIPAL BOND INSURANCE-BUILD AMERICA MUTUAL ASSURANCE COMPANY" in the official statement referenced above, relating to the Bonds (the "Official Statement") is true and correct;

(ii) BAM is not currently in default nor has BAM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;

(iii) The Policy is an unconditional and recourse obligation of BAM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds when due in the event of Nonpayment by the Issuer (as set forth in the Policy);

(iv) The insurance payment (inclusive of the sum of the Risk Premium and the Member Surplus Contribution) (the "Insurance Payment") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to BAM as a condition to the issuance of the Policy;

(v) BAM will, for federal income tax purposes, treat the Insurance Payment as solely in consideration for the insurance risk it assumes in the Policy and not as consideration for an investment in BAM or its assets;

(vi) No portion of such Insurance Payment represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by BAM to maintain its rating, which, together with all other overhead expenses of BAM, are taken into account in the formulation of its rate structure, or for the provision of additional services by BAM, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor);

(vii) BAM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Insurance Payment, BAM will not use any portion of the Bond proceeds;

(viii) Except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by BAM, unless BAM has issued a debt service reserve insurance policy with respect to the Bonds;

(ix) BAM does not expect that a claim will be made on the Policy; and

(x) Neither the Issuer nor any other Obligor is entitled to a refund of the Insurance Payment for the Policy in the event a Bond is retired before the final maturity date.

BAM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Dated: June 30, 2015



Primary Market Disclosure Certificate

Brushy Creek Municipal Utility District, Texas, Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Insured Bonds")

For the benefit of Brushy Creek Municipal Utility District, Texas (the "Issuer"), and acknowledging that the Issuer will be relying on the contents hereof in addressing certain tax and disclosure items and for other matters, Build America Mutual Assurance Company ("Build America") makes the following representations and warranties as of the date hereof:

1. Neither Build America nor any affiliate of Build America has purchased, or has committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise;
2. Neither Build America nor any affiliate of Build America has entered into any agreement or understanding regarding the purchase or sale of the Insured Bonds, except for the insurance policies that Build America has provided regarding payments due under the Insured Bonds and the documentation associated with said insurance policies.

For the purposes of this certificate, "affiliate of Build America" means a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Build America.

June 30, 2015

Build America Mutual Assurance Company

By: _____
Authorized Officer

A large, handwritten signature in black ink is written over the signature line and extends upwards into the company name. The signature is highly stylized and appears to be a cursive or semi-cursive script.



June 25, 2015

Carol Polumbo
McCall, Parkhurst & Horton LLP
600 Congress Avenue, Suite 1800
Austin, TX 78701

BONDS: \$3,625,000 in aggregate principal amount of
Brushy Creek Municipal Utility District, Texas
Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds,
Series 2015

Dear Carol,

I am forwarding to you, to be held in escrow, our Municipal Bond Insurance Policy (the "Policy") and closing documentation, including our Opinion and Closing Certificates in connection with the above referenced Bonds.

In addition, I have included a rating letter from Standard & Poor's.

Before any document held in escrow can be released by you (upon our oral instruction), we must receive the following:

1. A copy of each executed approving opinion delivered by bond counsel and by other counsel, if appropriate, either addressed to BAM or together with a reliance letter addressed to BAM, as described in our Municipal Bond Insurance Commitment (the "Bond Commitment").
2. If not already received, a signed copy of the Bond Commitment.
3. Evidence of wire transfer in federal funds in an amount equal to the Insurance Payment, as described in our Bond Commitment. Evidence of wire transfer shall be email or oral confirmation of the federal reserve wire reference number.

Please PDF Items 1 and 2 to my attention and contact me with respect to any other issues (instructions for wiring of funds are attached for your convenience.)

Please be reminded that, as provided in our Bond Commitment, all documentation with respect to the Bonds is subject to our review and approval.

As required by the Bond Commitment, please deliver by PDF or CD a complete transcript of the closing documents within 30 days of the closing date.

Please contact me if you have any questions. We look forward to a smooth closing process. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Nolan Miller".

Nolan Miller

nmiller@buildamerica.com

212-235-2511



ESCROW DESCRIPTIONS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
UL Tax Ref Bs, Srs 2015
Final, Verified Numbers
NBQ A2 with Insurance

Type of Security	CUSIP or ID	Maturity Date	Par Amount	Rate	Yield	Price	Interest Class	Interest Frequency	Interest Day Basis
Jun 30, 2015:									
TBill	912796F69	11/12/2015	2,000		0.052%	99.980860	Discount	Semiannual	ACT/ACT
TBond	912828PJ3	11/30/2015	44,000	1.375%	0.103%	100.531540	Periodic	Semiannual	ACT/ACT
TBond	912828QP8	05/31/2016	44,000	1.750%	0.315%	101.314320	Periodic	Semiannual	ACT/ACT
Agency	3135G0ES8	11/15/2016	45,000	1.375%	0.587%	101.077550	Periodic	Semiannual	30/360
Agency	3130A5DD8	05/26/2017	1,790,000	0.720%	0.713%	100.013656	Periodic	Semiannual	30/360
			1,925,000						

DES

FANNIE MAE FNMA 1 3/8 11/16 101.225/101.225 (0.487/0.487) TRAC

FNMA 1 3/8 11/15/16 Corp

Page 1/11 Description: Bond

90 Notes

95 Buy

96 Sell

97 Settings

1) Bond Description

2) Issuer Description

Pages	Issuer Information	Identifiers
1) Bond Info	Name FANNIE MAE	ID Number EI8464022
2) Addtl Info	Industry Government Agencies	CUSIP 3135G0ES8
3) Covenants	Security Information	
4) Guarantors	Mkt Iss US Domestic	ISIN US3135G0ES80
5) Bond Ratings	Country US Currency USD	Bond Ratings
6) Identifiers	Rank Unsecured Series	Moody's Aaa
7) Exchanges	Coupon 1.375 Type Fixed	S&P AA+
8) Inv Parties	Cpn Freq S/A	Fitch AAA
9) Fees, Restrict	Day Cnt 30/360 Iss Price 99.77600	Composite AA+
10) Schedules	Maturity 11/15/2016	Issuance & Trading
11) Coupons	BULLET	Amt Issued/Outstanding
Quick Links	Iss Sprd 39.00bp vs T 1 09/30/16	USD 4,075,000.00 (M) /
32) ALLQ Pricing	Calc Type (1)STREET CONVENTION	USD 4,075,000.00 (M)
33) QRD Quote Recap	Announcement Date 10/18/2011	Min Piece/Increment
34) TDH Trade Hist	Interest Accrual Date 10/20/2011	2,000.00 / 1,000.00
35) CACSCorp Action	1st Settle Date 10/20/2011	Par Amount 1,000.00
36) CF Prospectus	1st Coupon Date 11/15/2011	Book Runner BCLY,DB,JPM
37) CN Sec News		Reporting TRACE
38) HDS Holders		
39) VPR Underly Info		
66) Send Bond		

DES

FED HOME LN BANK FHLB 0.72 05/17 99.980/99.980 (0.730/0.730) TRAC

FHLB 0.72 05/26/17 Corp

Page 1/11 Description: Bond

Data not provided by Bloomb...

94) Notes

95) Buy

96) Sell

97) Settings

1) Bond Description		2) Issuer Description	
Pages	Issuer Information	Identifiers	
1) Bond Info	Name FEDERAL HOME LOAN BANK	ID Number	EK8984297
2) Addtl Info	Industry Government Agencies	CUSIP	3130A5DD8
3) Covenants	Security Information		
4) Guarantors	Mkt Iss US Domestic	ISIN	US3130A5DD87
5) Bond Ratings	Country US	Bond Ratings	
6) Identifiers	Currency USD	Moody's	Aaa
7) Exchanges	Rank Unsecured	S&P	AA+
8) Inv Parties	Series 0000	Composite	AA+
9) Fees, Restrict	Coupon 0.72	Issuance & Trading	
10) Schedules	Type Fixed	Amt Issued/Outstanding	
11) Coupons	Cpn Freq S/A	USD	100,000.00 (M) /
Quick Links	Day Cnt 30/360	USD	100,000.00 (M)
32) ALLQ Pricing	Iss Price 100.00000	Min Piece/Increment	
33) QRD Quote Recap	Maturity 05/26/2017	10,000.00 / 5,000.00	
34) TDH Trade Hist	BULLET	Par Amount	5,000.00
35) CACSCorp Action	Iss Sprd	Book Runner	WFS-sole
36) CF Prospectus	Calc Type (1)STREET CONVENTION	Reporting	TRACE
37) CN Sec News	Announcement Date 05/05/2015		
38) HDS Holders	Interest Accrual Date 05/07/2015		
39) VPR Underly Info	1st Settle Date 05/07/2015		
66) Send Bond	1st Coupon Date 05/26/2015		
	Security created by firm WELLS FARGO SECURITIES LLC		

**HYLAND NORTH JOINT VENTURE
1001 FANNIN, SUITE 4700
HOUSTON, TEXAS 77002**

June 30, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Raymond James & Associates, Inc.
5847 San Felipe, Suite 4125
Houston, Texas 77057

Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District (the "District") of its \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"), the District, and Raymond James & Associates, Inc., the underwriter, have, among other things, participated in the preparation of the Preliminary Official Statement, dated May 14, 2015, and the Official Statement, dated May 27, 2015, to be distributed to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement."

We are developers of the property within the District and the Sendero Springs and Cornerstone Defined Area and are executing and delivering this Letter of Representation.

1. We hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. We covenant, represent, and warrant as follows:

(a) At the date hereof, the information contained in the Official Statement concerning the undersigned, as specifically set forth in Exhibit "A" attached hereto, is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or public board is pending against us, nor, to the best of the knowledge of the person signing on our behalf, is there any basis therefor, wherein an unfavorable decision, ruling, or finding would, in any material respect, adversely affect our ownership of property within the District as described in the Official Statement or adversely affect in any way the validity or enforceability of the Bonds or this Letter of Representation.

(c) We are a Texas joint venture duly authorized to do business in the State of Texas and have due authority to carry on the business in which we are engaged and to own and operate the properties owned and used by us in such business.

(d) This Letter of Representation is a legal, valid, and binding obligation of the undersigned enforceable in accordance with its terms, except to the extent that the enforcement hereof may be limited by bankruptcy, reorganization, and similar laws of general application affecting creditors. The execution and delivery of this Letter of Representation and compliance with provisions hereof will not result in a violation of any of the terms or provisions of any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which we are a party or by which we are bound, or any order, rule, regulation, or law applicable to us of any court or any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over us or our properties, nor will compliance therewith result in any violation of the provisions of our organizational documents.

3. During a period of ninety (90) days following delivery of the Bonds by the District (currently anticipated to be June 30, 2015) if any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which the Official Statement is delivered to a purchaser, not misleading, insofar as such statements relate to the undersigned or any other information furnished by us to you or your financial advisor, we will forthwith furnish to you the information necessary for you to prepare either amendments to the Official Statement or supplemental information so that the statements in the Official Statement with respect to us or any other information furnished by us to you or your financial advisor expressly for use in the Official Statement will not, in light of the circumstances under which the Official Statement as so amended or supplemented is delivered to a purchaser, be misleading.

4. The agreements contained herein and our representations and warranties set forth in this Letter of Representation shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of you, and (ii) acceptance of and payment for the Bonds.

5. Our representatives have participated in conferences with your representatives in connection with the preparation of, and have generally reviewed, the Official Statement. In the course of such conferences and review, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue or misleading statement of a material fact

or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, although, except as to the information described in paragraph 2(a) above, we assume no responsibility to you to undertake to verify such information.

6. This Letter of Representation is made solely for your benefit and the benefit of members of your Board of Directors and your successors and assigns, and no other person, partnership, association, corporation, or governmental body shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds merely because of such purchase.

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

8. The undersigned hereby represent that they are duly authorized to execute this Letter of Representation.

Very truly yours,

HYLAND NORTH JOINT VENTURE,
a Texas joint venture

By: Brushy Creek Development Corporation,
a Texas corporation – joint venturer

By: 

Name: DAVID BOOSEMAN

Its: PRESIDENT

By: HRI Development Corporation,
a Texas corporation – joint venturer

By: 

Name: DAVID BOOSEMAN

Its: PRESIDENT

EXHIBIT "A"

The information concerning HYLAND NORTH JOINT VENTURE, and its affairs and developments contained under the following captions in the Official Statement:

1. "OFFICIAL STATEMENT SUMMARY – THE DISTRICT – Status of Development within the Sendero Springs and Cornerstone Defined Area; and – The Developers."
2. "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA."
3. "THE DISTRICT."
4. "THE DEVELOPERS."

**HYLAND JOINT VENTURE
1001 FANNIN, SUITE 4700
HOUSTON, TEXAS 77002**

June 30, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Raymond James & Associates, Inc.
5847 San Felipe, Suite 4125
Houston, Texas 77057

Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District (the "District") of its \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015 (the "Bonds"), the District, and Raymond James & Associates, Inc., the underwriter, have, among other things, participated in the preparation of the Preliminary Official Statement, dated May 14, 2015, and the Official Statement, dated May 27, 2015, to be distributed to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement."

We are developers of the property within the District and the Sendero Springs and Cornerstone Defined Area and are executing and delivering this Letter of Representation.

1. We hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. We covenant, represent, and warrant as follows:

(a) At the date hereof, the information contained in the Official Statement concerning the undersigned, as specifically set forth in Exhibit "A" attached hereto, is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or public board is pending against us, nor, to the best of the knowledge of the person signing on our behalf, is there any basis therefor, wherein an unfavorable decision, ruling, or finding would, in any material respect, adversely affect our ownership of property within the District as described in the Official Statement or adversely affect in any way the validity or enforceability of the Bonds or this Letter of Representation.

(c) We are a Texas joint venture duly authorized to do business in the State of Texas and have due authority to carry on the business in which we are engaged and to own and operate the properties owned and used by us in such business.

(d) This Letter of Representation is a legal, valid, and binding obligation of the undersigned enforceable in accordance with its terms, except to the extent that the enforcement hereof may be limited by bankruptcy, reorganization, and similar laws of general application affecting creditors. The execution and delivery of this Letter of Representation and compliance with provisions hereof will not result in a violation of any of the terms or provisions of any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which we are a party or by which we are bound, or any order, rule, regulation, or law applicable to us of any court or any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over us or our properties, nor will compliance therewith result in any violation of the provisions of our organizational documents.

3. During a period of ninety (90) days following delivery of the Bonds by the District (currently anticipated to be June 30, 2015) if any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which the Official Statement is delivered to a purchaser, not misleading, insofar as such statements relate to the undersigned or any other information furnished by us to you or your financial advisor, we will forthwith furnish to you the information necessary for you to prepare either amendments to the Official Statement or supplemental information so that the statements in the Official Statement with respect to us or any other information furnished by us to you or your financial advisor expressly for use in the Official Statement will not, in light of the circumstances under which the Official Statement as so amended or supplemented is delivered to a purchaser, be misleading.

4. The agreements contained herein and our representations and warranties set forth in this Letter of Representation shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of you, and (ii) acceptance of and payment for the Bonds.

5. Our representatives have participated in conferences with your representatives in connection with the preparation of, and have generally reviewed, the Official Statement. In the course of such conferences and review, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue or misleading statement of a material fact

or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, although, except as to the information described in paragraph 2(a) above, we assume no responsibility to you to undertake to verify such information.

6. This Letter of Representation is made solely for your benefit and the benefit of members of your Board of Directors and your successors and assigns, and no other person, partnership, association, corporation, or governmental body shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds merely because of such purchase.

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

8. The undersigned hereby represent that they are duly authorized to execute this Letter of Representation.

Very truly yours,

HYLAND JOINT VENTURE,
a Texas joint venture

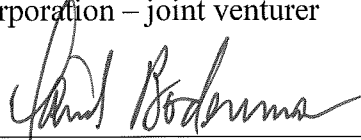
By: Brushy Creek Development Corporation,
a Texas corporation – joint venturer

By: 

Name: DAVID BODEWANS

Its: PRESIDENT

By: HRI Development Corporation,
a Texas corporation – joint venturer

By: 

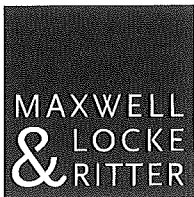
Name: DAVID BODEWANS

Its: PRESIDENT

EXHIBIT "A"

The information concerning HYLAND JOINT VENTURE, and its affairs and developments contained under the following captions in the Official Statement:

1. "OFFICIAL STATEMENT SUMMARY – THE DISTRICT – Status of Development within the Sendero Springs and Cornerstone Defined Area; and – The Developers."
2. "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA."
3. "THE DISTRICT."
4. "THE DEVELOPERS."



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

June 30, 2015

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Raymond James & Associates, Inc.
5847 San Felipe, Suite 4125
Houston, Texas 77057

Re: \$3,625,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015

Ladies and Gentlemen:

We are independent certified public accountants and, as such, furnished an opinion on Brushy Creek Municipal Utility District's general purpose financial statements as of and for the year ended September 30, 2014, which opinion is included as an Appendix to the Preliminary Official Statement and the Official Statement, related to the District's \$3,625,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Refunding Bonds, Series 2015. We hereby consent to the reproduction of such opinion and financial statements in the Preliminary Official Statement and the Official Statement, and the description of us therein as auditor for the District.

Sincerely,

By:

Handwritten signature of Maxwell Locke & Ritter LLP in cursive script.
Certified Public Accountant

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

DEBORAH M. HUNT
TAX ASSESSOR/COLLECTOR FOR WILLIAMSON COUNTY
904 S. MAIN STREET
GEORGETOWN, TEXAS 78626

June 30, 2015

LETTER OF REPRESENTATION

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16318 Great Oaks Drive
Round Rock, Texas 78681

Raymond James & Associates, Inc.
5847 San Felipe, Suite 4125
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I am the Tax Assessor/Collector for the District and am executing and delivering this Letter of Representation to make the agreements stated herein and to acknowledge your reliance as to certain information necessary for the preparation of the Official Statement and provided by me, as more fully described below.

1. I hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. I consent to the use in the Official Statement of the information specified in Exhibit "A" attached hereto.


3. I represent and warrant that the information contained in the Official Statement specified in Exhibit "A" attached hereto is true and correct in all material respects and does not

contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of circumstances under which they are made, not misleading. Unless I have notified you in writing to the contrary prior to the date of actual delivery of the Bonds to the purchasers of the Bonds against payment therefor (the "Closing Date"), you may rely on such information to be true and correct through the period from the date of this letter to and including the Closing Date. In addition, for a period of 30 days after the Closing Date, I agree promptly to advise you in writing of any facts which would require material corrections or additions to such information and of which I become aware during such period.

4. I consent to the use of my name in the Official Statement, particularly in the section entitled "THE DISTRICT – Management' of the District – Consultants – Tax Assessor/Collector" and as described therein.

5. This Letter of Representation is made solely for your benefit and the benefit of the members of the board of directors of the District and no other person, including any person who purchases the Bonds, shall acquire or have any right hereunder or by virtue hereof.

Sincerely,



Deborah M. Hunt,
Tax Assessor/Collector for Williamson County

EXHIBIT “A”

The information relating to assessed valuation of taxable property in Brushy Creek Municipal Utility District (the “District”), the principal taxpayers in the District, the collection of the District’s taxes (as shown by the District’s tax records), and myself contained in the Official Statement under the following captions:

1. “THE DISTRICT – Management of the District – Consultants – Tax Assessor/Collector.”
2. “TAX DATA – Historical Tax Collections; – Analysis of Tax Base; and – Principal Taxpayers.”