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# TRANSCRIPT OF PROCEEDINGS

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RELATING TO

**\$6,605,000**

Brushy Creek Municipal Utility District

Unlimited Tax Refunding Bonds  
Series 2019

DATE OF DELIVERY

July 31, 2019

**MCCALL**  
PARKHURST & HORTON

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600 Congress Avenue, Suite 1800, Austin, Texas 78701 | 512.478.3805

CONTACT

C. D. Polumbo

**\$6,605,000**  
**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**  
**UNLIMITED TAX REFUNDING BONDS,**  
**SERIES 2019**

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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 Brushy Creek Municipal Utility District {the "District")} hereby certify as follows:

1. The District convened in a REGULAR MEETING ON THE 30TH DAY OF MAY, 2019, at the designated meeting place, and roll was called of the duly constituted officers and members of the District, to wit:

- Shean R. Dalton, Place 5, President
- Donna B. Parker, Place 4, Vice President
- Kim Filiatrault, Place 3, Secretary
- Rebecca B. Tullos, Place 1, Treasurer,
- Michael Tucker, Place 2, Assistant Secretary/Treasurer

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

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

was duly introduced for the consideration of the District. 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:

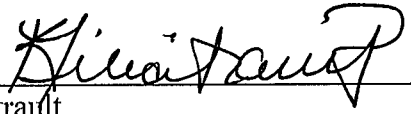
AYES: 5

NOES: 0

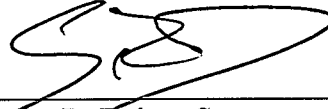
2. A true, full and correct copy of the aforesaid Order passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Order has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full 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 30<sup>th</sup> day of May, 2019.



Kim Filiatraut  
Directors



Shean R. Dalton Secretary, Board of  
President, Board of Directors

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

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Adopted May 30, 2019

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

|  |          |
|--|----------|
| <b>THE STATE OF TEXAS</b>                      | <b>§</b> |
| <b>COUNTY OF WILLIAMSON</b>                    | <b>§</b> |
| <b>BRUSHY CREEK MUNICIPAL UTILITY DISTRICT</b> | <b>§</b> |

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**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**, at an election held on November 6, 2001 (the "Bond Election") the voters of the District authorized the issuance of bonds in one or more issues or series in the maximum amount of \$39,100,000 maturing serially or otherwise in such installments as are fixed by the Board of Directors of the District over a period or periods not exceeding 40 years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, on any issue or series shall not exceed the maximum legal limit in effect at the time of the issuance of each such issues or series of said bonds, all as may be determined by the Board of Directors of the District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending inside and outside its boundaries a water supply project including, but not limited to, all additions to such project and all works, improvements, facilities, land, plants, equipment, appliances, interests in property and contract rights needed therefor and administrative facilities needed in connection therewith, and to refund any bonds or other evidences of indebtedness issued by the District in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within the District, all as authorized by the constitution and laws of the State of Texas; and

**WHEREAS**, the District currently has outstanding its obligations entitled: Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), Unlimited Tax Refunding Bonds, Series 2009, Unlimited Tax Refunding Bonds, Series 2010, Unlimited Tax Refunding Bonds, Series 2011 Unlimited Tax Refunding Bonds, Series 2012 Unlimited Tax Refunding Bonds, Series 2013 and Waterworks and Sewer System Revenue Notes, Series 2016 (the "Outstanding Bonds"); and

**WHEREAS**, the District now desires to refund all or part of its 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 of the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the refunding 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**, Chapter 1207 further authorizes the District to enter into an escrow agreement ("Escrow Agreement") with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such escrow agent may agree, provided that such deposits may be invested and reinvested in Defeasance Securities, as defined herein; and

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

**WHEREAS**, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve a net present value debt service savings of not less than 3.00% 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 Chief Financial Officer or in his absence the General Manager of the District, all in accordance with the provisions of Chapter 1207, including Section 1207.007 thereof; and

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

**ARTICLE ONE**

**PREAMBLE**

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

## ARTICLE TWO

### DEFINITIONS AND INTERPRETATIONS

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

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

"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 11.01 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 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.

"Audit" means the audited financial statements of the District prepared by an independent auditor in accordance with the rules of the TCEQ in effect at such time.

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

"Board 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 Bond 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 Bond 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" means, 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 dates on which interest is compounded on the Premium Compound Interest Bonds as set forth in the Accretion Table attached to the Pricing Certificate.

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

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

"District" means 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.

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

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

"Escrow Agent" means the escrow agent designated by the Pricing Officer in the Pricing Certificate or any successor escrow agent under the Escrow Agreement.

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

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

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

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

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Section 4.04 (d) 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 closing and delivery of the Bonds.

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

"MSRB" means the Municipal Securities Rulemaking Board.

"Outstanding" when used with reference to Bonds, means, as of a particular date, all Bonds theretofore and thereupon delivered except: (a) any Bond canceled by or on behalf of the District at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of this Bond 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 Bond Order.

"Outstanding Bonds" means the bonds as set forth in the preamble to this Bond Order.

"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 Chief Financial Officer of the District or in his or her absence, the General Manager of the District, acting as the designated pricing officer of the District to execute the Pricing Certificate.

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

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

"Refundable Bonds" means the Outstanding Bonds of the District.

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

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

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

"Registrar" or "Paying Agent/Registrar" means the paying agent/registrar designated herein, or such other bank, trust company, financial institution, or other entity as designated by the Pricing Officer in the Pricing Certificate to act as paying agent and registrar for the Bonds in accordance with the terms of this Bond Order.

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

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

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

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

"System" means the water system, sanitary sewer system, and drainage and storm sewer system of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof; provided that the system shall not include facilities acquired or constructed to perform contracts between the District and other persons, including private corporations, municipalities and political subdivisions which are financed by proceeds of

the District's revenue bonds issued particularly to finance facilities needed to perform such contracts.

"Underwriters" means the senior managing underwriter or initial purchaser as selected by the Pricing Officer, and such additional investment banking firms as the Pricing Officer deems appropriate.

**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 UNLIMITED TAX REFUNDING BOND," and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$15,000,000 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 of the Pricing Officer to execute a Pricing Certificate shall expire at 5:00 p.m. C.S.T. on November 29, 2019. Bonds priced on or before 5:00 p.m. C.S.T. on November 29, 2019 may be delivered to the Underwriter after such date.

**SECTION 3.02. DATE, DENOMINATIONS, NUMBERS, DELEGATION TO PRICING OFFICER.** (a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Compound Interest Bonds, numbered consecutively from R-1 upward, in the case of Current Interest Bonds, and from PC-1 upward, and in the case of Premium Compound Interest Bonds (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the Registered Owner or the Owner), in the denomination of \$5,000 or any integral multiple thereof with respect to Current Interest Bonds and in the denomination of \$5,000 in Maturity Amount or any integral multiple thereof with respect to Premium Compound Interest Bonds (each an "Authorized Denomination"), maturing not later than June 1, 2028, 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 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, obtaining a rating on the Bonds, including execution of a rating application, procuring municipal bond insurance, if any, from the applicable Bond Insurer selected by the Pricing Officer and approving modifications to this Bond Order related to the procurement of such insurance and executing such instruments, documents and agreements as may be necessary with respect thereto, if it is determined by the Pricing Officer that procuring such insurance would be financially desirable and advantageous and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium Compound Interest Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a present value debt service savings of at least 3.00%, 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.

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

If the Pricing Officer determines that the Bonds should be sold at a competitive sale, the Pricing Officer shall cause to be prepared a notice of sale and official statement in such manner as the Pricing Officer deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale. If the Pricing Officer determines that the Bonds should be sold by a negotiated sale or placement, the Pricing Officer shall designate the placement purchaser or the senior managing underwriter for the Bonds and such additional investment banking firms as the Pricing Officer deems appropriate to assure that the Bonds are sold on the most advantageous terms to the District (collectively, the "Underwriters"). The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a purchase agreement or other agreement for the Bonds to be sold by negotiated sale or placement, with the underwriters or placement purchasers

at such price, with and subject to such terms as determined by the Pricing Officer pursuant to Section 3(b) above.

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

(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 Bond Order to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

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

**SECTION 3.03. RESERVED.**

**SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST.** The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the office for payment of the Registrar. The interest on each Bond shall be payable as set forth in the Pricing Certificate by check or draft payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or,

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

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

**SECTION 3.05. SUCCESSOR REGISTRARS.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 30 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

**SECTION 3.06. SPECIAL RECORD DATE.** If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a "Special Record Date." The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

**SECTION 3.07. REGISTERED OWNERS.** The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

**SECTION 3.08. EXECUTION OF BONDS.** The Bonds shall be signed on behalf of the District by the President or Vice-President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds

shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

**SECTION 3.09. AUTHENTICATION.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

## **ARTICLE FOUR**

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

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

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

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

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

**SECTION 4.02. MUTILATED, LOST, OR STOLEN BONDS.** Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefore 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 this subsection (d) 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 Bond 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 Bond 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 Bond 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 Bond Order.

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

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

(e) DTC Blanket Issuer 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.

## 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  
UNLIMITED TAX REFUNDING BOND  
SERIES 2019**

**[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 from the initial date of delivery of the Bonds, on \_\_\_\_\_\* and semiannually on each \_\_\_\_\_\* and \_\_\_\_\_\* thereafter (an "Interest Payment Date") to the maturity date specified above,

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

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 \_\_\_\_\_, which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in \_\_\_\_\_, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the last 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.



which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking 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.]\*

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

\*\* 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.

|  |                             |
|--|-----------------------------|
| <b>Term Bonds Maturing _____, 20__</b> |                             |
| <b>Redemption<br/>Date</b>             | <b>Principal<br/>Amount</b> |
| _____, 20__                            | \$ _____                    |
| _____, 20__                            | _____ †                     |

†Final Maturity

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

**AT LEAST** 30 calendar days prior to the date fixed for any redemption of Current Interest Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Registrar by United States mail, first-class postage prepaid, to the Registered Owner of each Current Interest Bond to be redeemed at its address as it appeared on the Register on the 45th calendar day 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.

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\* Use of Term Bonds, if any, to be determined by the Pricing Officer.

**WITH RESPECT TO** any optional redemption of the Current Interest 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 Current Interest 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 Current Interest 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 Current Interest Bonds have not been redeemed.

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

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

requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

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

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

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

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

**THE DISTRICT RESERVES THE RIGHT** to issue additional bonds heretofore or hereafter duly authorized at elections held in the District payable from a lien on and pledge of taxes; bonds, notes and other obligations of inferior liens, and revenue bonds, notes and other



obligations payable solely from revenues of the District or revenues to be received under contracts with other persons, including private corporations, municipalities and political subdivisions or from any other source. The District further reserves the right to issue refunding bonds in any manner permitted by law to refund any bonds (including the Bonds) at or prior to their respective dates of maturity or redemption.

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

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

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

**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 THE INITIAL BOND**

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

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

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

**"ON THE MATURITY DATE SPECIFIED BELOW**, 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</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> * | <u>Interest</u><br><u>Rate</u> |
|-----------------------------------|--------------------------------------|--------------------------------|
|-----------------------------------|--------------------------------------|--------------------------------|

(Information from Pricing Certificate to be inserted)

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

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

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

2. The Initial Premium Compound Interest Bond shall be in the form set forth in this Section, except that:

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

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

"ON THE MATURITY DATE SPECIFIED BELOW, 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 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<br/>Amount</u> | <u>Maturity Date<br/>(_____)*</u> | <u>Approx. Yield<br/>to Maturity</u> | <u>Stated<br/>Interest Rate</u> | <u>Amount Owed<br/>at Maturity</u> |
|-----------------------------|-----------------------------------|--------------------------------------|---------------------------------|------------------------------------|
|-----------------------------|-----------------------------------|--------------------------------------|---------------------------------|------------------------------------|

(Information from Pricing Certificate to be inserted)

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

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

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

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

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)

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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:

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

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

**SECTION 6.05. CUSIP REGISTRATION.** The Pricing Officer may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau.

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

## **ARTICLE SEVEN**

### **SECURITY OF THE BONDS**

**SECTION 7.01. SECURITY OF BONDS.** (a) **Pledge and Levy of Taxes.** For each year while any Bond is outstanding and the District remains in existence, the Board shall consider the taxable property in the District and determine the actual rate of the bond tax and/or the maintenance tax per \$100 valuation of taxable property which is to be levied in that year, and levy the bond tax and/or the maintenance tax against all taxable property in the District.

- (i) **Annual Budget.** Prior to determining the bond tax and/or maintenance tax to be levied for any calendar year, the Board shall adopt an annual budget for the District

setting forth the estimated expenditures and disbursements of the District's receipts, revenues, and funds, the estimated receipts, revenues and funds and the sources thereof, and the District's debt service for the succeeding fiscal year. The budget shall be developed in accordance with generally accepted accounting procedures, and shall contain such budgetary items and provisions as may be reasonably necessary to reflect adequately the operations and activities of the District for the annual period covered by the budget. The Board shall not determine the bond tax and/or maintenance tax to be levied for any calendar year until the Board has approved an annual budget for the expenditure and disbursement of the receipts, revenues and funds of the District.

- (ii) Establishment of District Interest and Sinking Fund and Levy of Bond Tax. A special fund or account, to be designated the Brushy Creek Municipal Utility District Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby confirmed and shall be established and maintained by the District at its official depository bank. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District, and shall be used only for paying the principal, interest and redemption price of the Bonds. All taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds are outstanding and unpaid, the District shall compute and ascertain the rate and amount of ad valorem tax, based on the latest approved tax rolls of the District, with full allowances being made for tax delinquencies and costs of tax collections, which will be sufficient to raise and produce the money required to make payment of the principal and interest on the Bonds. The rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied without limit as to rate or amount against all taxable property in the District for each year while any of the Bonds are outstanding and unpaid, and such ad valorem tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. In determining the rate of tax to be levied, assessed and collected, the District may take into account the amount of funds on hand in the Interest and Sinking Fund. The ad valorem taxes are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as same become due.

(b) Perfection. Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of taxes and revenues granted by the District under Section 7 of this Bond Order, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of taxes and revenues granted by the District under Section 7 of this Bond Order is to be subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, then in order to preserve to the Registered Owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9 of the Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

**SECTION 7.02. 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.

## **ARTICLE EIGHT**

### **FLOW OF FUNDS AND INVESTMENTS**

**SECTION 8.01. CREATION OF FUNDS.** (a) Designation of Funds. The following funds are hereby created or affirmed:

- (i) the Operating Fund;
- (ii) Interest and Sinking Fund for the Bonds; and
- (iii) the Escrow Fund, if necessary.

Each fund shall be kept separate and apart from all other funds of the District. The Interest and Sinking 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 trust funds which 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 (the "Operating Fund") 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 Interest and Sinking Fund when needed to pay the obligations of the District payable therefrom, and (iii) to the extent the balance of the Interest and Sinking Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Interest and Sinking Fund, to pay any other expense of the District.

**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. INTEREST AND SINKING FUND; TAX LEVY.** The Interest and Sinking Fund (the "Interest and Sinking Fund") shall comprise the interest and sinking fund of the District. The District shall deposit to the credit of the Interest and Sinking Fund (i) accrued interest, if any, on the Bonds from their date to the date of their delivery, (ii) collections of District taxes to the extent provided in Section 7.01 hereof and (iii) amounts transferred from the Operating Fund to the extent provided in paragraph (b) of Section 8.01 hereof. The Interest and Sinking Fund, including interest earnings or amounts deposited therein, shall be applied solely to pay the principal or redemption price of and interest on the Bonds when due, and the fees of the Paying Agent/Registrar.

**SECTION 8.04. ESCROW FUND.** If required, the escrow fund (the "Escrow Fund") shall be created and shall be governed by the terms of an Escrow Agreement, if any.

**SECTION 8.05. INVESTMENTS; EARNINGS.** Moneys deposited into the Interest and Sinking Fund and any other fund or funds which the District 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 Interest and Sinking 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 Underwriter 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 Interest and Sinking Fund.

**SECTION 9.03. ESCROW/PAYMENT FUND.** The proceeds from the sale of the Bonds after making the deposit hereinbefore provided and paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund or other payment fund as described in the Escrow Agreement, if necessary.

## **ARTICLE TEN**

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

**SECTION 10.01. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.** (a) Covenants. The District covenants to take any action



necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

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

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

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

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

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

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

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

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

(B) amounts invested in a bona fide Interest and Sinking Fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

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

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

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

(b) Rebate Fund. In order to facilitate compliance with the above covenant (9), 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 of the Board of Directors, the General Manager and the Chief Financial Officer 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 financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Designation as Qualified Tax-Exempt Bonds. The Pricing Officer is authorized to designate the Bonds as "qualified tax-exempt 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.** (a) Additional Bonds, Inferior Obligations and Refunding Bonds. The District expressly reserves the right to issue in one or more installments or issues, additional bonds heretofore voted but unissued and bonds hereafter voted and payable from a lien on and pledge of taxes and revenues on a parity with and of equal dignity with the pledge for the Bonds; and bonds, notes and other obligations of inferior liens. This District further reserves the right to issue refunding bonds, notes or other obligations in any manner permitted by law to refund any Bonds, Additional Bonds, bonds, notes or other obligations at or prior to their respective dates of maturity or redemption.

(b) Special Project Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement,

enlargement or repair of water, sewer and/or drainage facilities necessary under contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds.

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

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

## **ARTICLE TWELVE**

### **DEFAULT PROVISIONS**

**SECTION 12.01. REMEDIES IN EVENT OF DEFAULT.** In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal of or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Interest and Sinking 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 Bond Order, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent verification agent of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Bond Order, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the District will have no further responsibility with respect to 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.

(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 Bond Order. Any money so deposited with the Paying Agent/Registrar as provided in this Section may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar pursuant to this Section which is not required for the payment of such Bond and Premium Compound Interest Bond, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

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

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

## **ARTICLE FOURTEEN**

### **MISCELLANEOUS PROVISIONS**

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

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

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

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

**SECTION 14.05. BENEFITS OF ORDER PROVISIONS.** Nothing in this Bond Order or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect of this Bond Order, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Order or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

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

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

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

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

## **ARTICLE FIFTEEN**

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

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

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

**SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS, PAYING AGENT/REGISTRAR AGREEMENT AND ESCROW AGREEMENT**

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

The Paying Agent/Registrar Agreement by and between the District and Wells Fargo Bank, N.A. ("Paying Agent Agreement") is hereby approved and the Pricing Officer is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement as necessary.

The discharge and defeasance of Refunded Bonds shall be effectuated pursuant to the terms and provisions of an escrow or other 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 underwriters or 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 Bonds 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 or other 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 the 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, if any, 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.

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



Escrow Agreement with amounts sufficient to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the Escrow Agent Notice of Redemption with respect to the Refunded Bonds in substantially the form that is set forth in Exhibit "A" hereto with such changes as necessary in accordance with the Pricing Certificate.

## ARTICLE SIXTEEN

### OPEN MEETING AND EFFECTIVE DATE

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

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

## ARTICLE SEVENTEEN

### AMENDMENTS

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

- (1) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (2) reduce the rate of interest borne by any of the outstanding Bonds;
- (3) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (4) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;

(5) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or

(6) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Order it may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the District 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, Secretary or Assistant Secretary of the Board of Directors and the General Manager and Chief Financial Officer of the District, and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President, Secretary or Assistant Secretary of the Board of Directors and the General Manager and Chief Financial Officer of the District, the District's attorney and bond counsel are hereby authorized and directed to approve any technical changes or corrections to this Bond Order or to any of the instruments authorized and approved by this Bond Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Bond Order and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of the Bond Insurer, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office.

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

**SECTION 18.03. PAYMENT OF ATTORNEY GENERAL FEE.** The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

## ARTICLE NINETEEN

### CONTINUING DISCLOSURE

**SECTION 19.01. CONTINUING DISCLOSURE UNDERTAKING.** (a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 15.03 of this Bond Order, being the information as designated by the Pricing Officer in the Pricing Certificate. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "B" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within twelve months after any such fiscal year end, then the District shall provide unaudited financial statements within such twelve month period, and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available.

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

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

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701–TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the District;
13. 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar office 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 official or officers of the District in possession but subject to the supervision and order 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, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

(c) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Section 13.01 of this 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 Bond Order for purposes of any other provision of this Bond 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 Bond 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"**

**FORM OF NOTICES OF REDEMPTION/DEFEASANCE\***

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

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 UNLIMITED TAX BONDS, SERIES \_\_\_\_\_\*, all outstanding obligations maturing on \_\_\_\_\_\* in each of the years \_\_\_\_\_\* through \_\_\_\_\_\*, inclusive, aggregating \$ \_\_\_\_\_\* in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP**</u> |
|----------------------|-------------------------|----------------------|------------------------|----------------|
|----------------------|-------------------------|----------------------|------------------------|----------------|

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, 12<sup>th</sup> Floor  
MAC N9303-121  
6<sup>th</sup> & Marquette Ave.  
Minneapolis, MN 55479

**In Person**  
Northstar East Building  
Corporate Trust Operations  
608 2<sup>nd</sup> 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.

\*To be revised to conform with the Pricing Certificate.

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

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**



## **EXHIBIT "B"**

### **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.

\$6,605,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019

BOND PURCHASE AGREEMENT

June 26, 2019

Board of Directors  
Brushy Creek Municipal Utility District  
16318 Great Oak Drive  
Round Rock, Texas 78701

Dear Board of Directors:

The undersigned, Raymond James & Associates Inc. (“**Underwriter**”) offers to enter into this Bond Purchase Agreement (“**Agreement**”) with Brushy Creek Municipal Utility District (“**District**”). This offer is made subject to the District’s acceptance of this Agreement on or before 10:00 p.m., Round Rock, Texas Time on the date hereof.

**1. Purchase and Sale of the Bonds.** On the terms and conditions and in reliance on the representations set forth herein, the Underwriter hereby agrees to purchase from the District at the Purchase Price set forth below, and the District hereby agrees to sell and deliver to the Underwriter at Closing (hereinafter defined), all (but not less than all) of the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 in the aggregate principal amount of \$6,605,000 (“**Bonds**”). The Bonds shall be dated July 1, 2019, and shall bear interest at the rate or rates per annum, mature on the dates, and be sold to the public at the prices all as shown on **Exhibit A** attached hereto. Interest on the Bonds shall accrue from the date of delivery of the Bonds to the Underwriter, and is payable on December 1, 2019, and semiannually thereafter on June 1 and December 1 in each year until maturity.

Inasmuch as this purchase and sale represents a negotiated transaction, the District understands, and hereby confirms that the Underwriter is not acting as a fiduciary or agent of the District, but rather is acting solely in its capacity as Underwriter for its own account. The District acknowledges and agrees that (i) the primary role of the Underwriter, as Underwriter is to purchase securities for resale to investors in an arm’s length transaction between the District and the Underwriter; (ii) the Underwriter, as Underwriter, has financial and other interests that differ from those of the District; (iii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District and has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided or are currently providing other services to the District on other matters); (iv) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement; (v) the District has consulted its own financial, municipal, legal, accounting, tax and/or other advisors, as applicable, to the extent it deems appropriate; and (vi) the Underwriter has provided to the District

prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board (“MSRB”), which have been received by the District. The District has engaged a municipal advisor to advise it on this transaction.

2. **Purchase Price.** The “Purchase Price” for the Bonds shall be \$6,962,413.02 (representing the principal amount of the Bonds of \$6,605,000, less an Underwriter’s discount of \$51,135.28, plus net premium on the Bonds of \$408,548.30), plus accrued interest on the Bonds from their dated date until the date of Closing. The Purchase Price shall be payable on the date of Closing by the Underwriter to or as directed by the District by wire transfer in immediately available funds or as otherwise agreed by the District and Underwriter.

3. **Bond Order.** The Bonds shall be issued and secured under the provisions of the order adopted by the District on May 30, 2019, and the Pricing Certificate of even date herewith executed pursuant thereto (collectively, “**Bond Order**”) which Bond Order shall approve and contain the pricing information set forth in this Agreement and **Exhibit A** hereto. The Bonds shall be secured and payable as provided in the Bond Order.

4. **Establishment of Issue Price of Bonds.** Notwithstanding any provision of this Bond Purchase Agreement to the contrary, the following provisions related to the establishment of the issue price of the Bonds apply:

(a) *Definitions.* For purposes of this Paragraph, the following definitions apply:

(i) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Participating Underwriter or a Related Party to a Participating Underwriter.

(ii) “*Participating Underwriter*” means (A) any person that agrees pursuant to a written contract with the District (or with the Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public).

(iii) “*Related Party*” means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iv) “*Sale Date*” means the date of execution of this Bond Purchase Agreement by all parties.

(b) *Issue Price Certificate.* The Underwriter agrees to assist the District in establishing the issue price of the Bonds and to execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit B**, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the initial offering price (“Initial Offering Price”) or prices or the sales price or prices to the Public of the Bonds.

(c) *Substantial Amount Test.* Other than those maturities of the Bonds which are designated by the Underwriter in writing (“Hold-the-Price Maturities”), the District will treat the first price at which at least ten percent (“Substantial Amount”) in principal amount of each maturity of the Bonds is sold to the Public as of the Sale Date (“Substantial Amount Test”) as the issue price of that maturity (or each separate CUSIP number within that maturity). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter will report to the District the price or prices at which the Underwriter has offered and sold to the Public each maturity of the Bonds. If at that time the Substantial Amount Test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which the Bonds have been sold by the Underwriter to the Public. That reporting obligation will continue, whether or not the Closing Date has occurred, until the Substantial Amount Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the Public.

(d) *Hold-The-Price Restriction.* The Underwriter agrees that each Participating Underwriter will neither offer nor sell any of the Hold-the-Price Maturities to any person at a price that is higher than the applicable Initial Offering Price for such maturity during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Participating Underwriter have sold a Substantial Amount of such a Maturity to the Public at a price that is no higher than the Initial Offering Price of such Maturity (“Hold-the-Price Restriction”).

The Underwriter shall promptly advise the District when the Participating Underwriter have sold a Substantial Amount of each such Hold-The-Price Maturity to the Public at a price that is no higher than the applicable Initial Offering Price such Hold-The-Price Maturity, if that occurs prior to the close of the fifth business day after the Sale Date.

The District acknowledges that, in making the representation set forth in this subparagraph, the Underwriter will rely on (A) the agreement of each Participating Underwriter to comply with the Hold-The-Price Restriction, as set forth in an agreement among underwriters and the related pricing wires, (B) in the event a selling group has been created in connection with the sale of the Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the Hold-The-Price Restriction, as set forth in a selling group agreement and the related pricing wires, and (C) in the event that a Participating Underwriter is a party to a third-party distribution agreement that was employed in connection with the sale of the Bonds, the agreement of each such underwriter, dealer or broker-dealer that is a party to such agreement to comply with the Hold-The-Price Restriction, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each Participating Underwriter will be solely liable for its failure to comply with its agreement regarding the Hold-the-Price Restriction and that no Participating Underwriter will be liable for the failure of any other Participating Underwriter to comply with its corresponding agreement regarding the Hold-The-Price Restriction as applicable to the Bonds.

(e) *Agreements Among Participating Underwriters.* The Underwriter confirms that (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement to which the Underwriter is a party relating to the initial sale of the Bonds to the Public, together with related pricing wires,

contains or will contain language obligating each Underwriter, each dealer who is a member of any selling group, and each broker-dealer that is a party to any such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until it is notified by the Underwriter that either the Substantial Amount Test has been satisfied as to the Bonds of that maturity or all Bonds if that maturity have been sold to the Public, (B) comply with the Hold-the-Price Restriction, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the relating pricing wires, and (C) acknowledge that, unless otherwise advised by the Participating Underwriter, the Underwriter will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with related pricing wires, contains or will contain language obligating each Participating Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter or the applicable Underwriter that either the Substantial Amount Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public and (B) comply with the Hold-the-Price Restriction, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the relating pricing wires, and

(f) *Sale to Related Party not a Sale to the Public.* The Underwriter acknowledges that sales of any Bonds to any person that is a Related Party to an Underwriter does not constitute sales to the Public for purposes of this Section. If a Related Party to an Underwriter purchases during the initial offering period all of a Hold-The-Price Maturity, the related Underwriter will notify the Underwriter and will take steps to confirm in writing that such Related Party will either (i) hold such Bonds for its own account, without present intention to sell, reoffer, or otherwise dispose of such Bonds for at least five business days from the Sale Date, or (ii) comply with the Hold-The-Price Restriction.

**5. Preliminary Official Statement and Official Statement.** The Preliminary Official Statement, dated May 30, 2019 (as amended or supplemented through the date hereof, “**Preliminary Official Statement**”) has been prepared by the District for the use by the Underwriter in connection with the public offering, sale and distribution of the Bonds. The District confirms its consent to the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement. The District hereby represents and warrants that the Preliminary Official Statement was deemed final by the District 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 Rule 15c2-12 of the United States Securities and Exchange Commission (“**SEC**”) under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”). The Official Statement, dated June 26, 2019, including the cover page and Appendices thereto, as further amended or supplemented only in the manner hereinafter provided, is hereinafter called the “**Official Statement.**” **Exhibit A** hereto is the inside cover page of the Official Statement of the District with respect to the Bonds. The District hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and sale of the Bonds. The District agrees to cooperate with the Underwriter to provide a supply of final Official Statements within seven business days of the date hereof in sufficient quantities (not to exceed 250), and in such printed or electronic form as is sufficient, to comply, and the Underwriter agrees to comply, with the Underwriter’s obligations under applicable MSRB Rules and Rule 15c2-12 of the SEC. The District further specifically agrees to cooperate with the Underwriter to provide such information as is reasonably necessary for the Underwriter to comply with the filing requirements of

MSRB Rule G-32. Unless otherwise notified in writing by the Underwriter, the “end of the underwriting period” for the purposes of Rule 15c2-12 is the date of Closing.

**6. Representations, Warranties and Agreements of District.** On the date hereof, the District represents, warrants and agrees as follows:

(a) The District is a duly created and existing municipal utility district and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and has full legal right, power and authority (i) to issue the Bonds, (ii) to authorize and approve the Preliminary Official Statement and the Official Statement and to authorize and approve their distribution by the Underwriter, (iii) to enter into this Agreement, (iv) to adopt the Bond Order and to carry out and consummate the actions contemplated thereby, and (v) to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(b) The District has complied, and will be at the date of Closing in compliance, in all material respects, with the Constitution and laws of the State of Texas in connection with the authorization, issuance and sale of the Bonds;

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has duly authorized and approved (i) the Bond Order, (ii) the execution and delivery of the Bonds, (iii) this Agreement, and (iv) the performance by the District of its obligations contained in the Bond Order, and this Agreement, and such documents constitute legal, valid and binding obligations of the District, 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;

(d) To the knowledge of the District, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of Texas or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument, except as may be disclosed in the Official Statement, to which the District is a party or is otherwise subject, which would have a material and adverse effect upon the business or financial condition of the District; and the District’s approval and acceptance of this Agreement, execution and delivery of the Bonds, and adoption of the Bond Order, and compliance with the provisions of each thereof will not violate or constitute a material breach of or default under any existing law, administrative regulation, judgment, decree or any agreement or other instrument to which the District is a party or, to the knowledge of the District, is otherwise subject;

(e) All approvals, consents and orders of any governmental authority or agency having jurisdiction which approval, consent or order would constitute a condition precedent to the performance by the District of its obligation to issue the Bonds hereunder will have been obtained prior to the Closing;

(f) The Preliminary Official Statement did not, and at the time of the District’s acceptance hereof, the Official Statement does not, and at the time of the Closing, the Official Statement 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, in light of the circumstances under which they were made, not misleading insofar as information within the knowledge of the District is concerned;

(g) The audited financial statements of the District as of September 30, 2018, contained in the Official Statement present fairly the financial position as of such date, and the results of its operations for the

year then ended, in conformity with generally accepted accounting principles, and there has been no material adverse change in the financial condition of the District since September 30, 2018;

(h) Between the date of this Agreement and Closing, the District will not, without the prior written consent of the Underwriter, issue any additional bonds, notes or other obligations for borrowed money payable in whole or in part from ad valorem taxes;

(i) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the District, threatened in any court affecting the existence of the District, the title of its officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the Bonds, the levy or the collection of taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the issuance, execution, delivery, payment, security or validity of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bond Order or this Agreement, or contesting the powers of the District, or any authority for the Bonds, the Bond Order or this Agreement or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or the Official Statement;

(j) Although the District assumes no responsibility for the registration or qualification of the Bonds under the securities law of any jurisdiction, the District will cooperate with the Underwriter, at the Underwriter's request, in arranging for the qualification of the Bonds for sale and the determination of their eligibility for investment under the securities laws of such jurisdictions as the Underwriter designates, and will, at the Underwriter's request, use its best efforts to continue such qualifications in effect so long as required for the initial distribution of the Bonds; provided, however, that the District will not be required to execute a general consent to service of process or to qualify to do business in connection with any such qualification in any jurisdiction;

(k) The descriptions contained in the Official Statement of the Bonds and the Bond Order accurately reflect the provisions of such instrument, and the Bonds, when validly executed, authenticated and delivered in accordance with the Bond Order and sold to the Underwriter as provided herein, will be validly issued and outstanding direct obligations of the District, entitled to the benefits of, and subject to the limitations contained in, the Bond Order; and

(l) If after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request the same pursuant to Rule 15c2-12, an event occurs of which the District has knowledge and which would cause the Official Statement 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, in light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter, and if in the opinion of the District or the Underwriter such event requires a supplement or amendment to the Official Statement, or if it is necessary to amend or supplement the Official Statement to comply with Rule 15c2-12 or any other applicable laws, the District will supplement or amend the Official Statement in a form and in a manner jointly approved by the District and the Underwriter, such that 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. If such supplement or amendment shall be subsequent to the Closing, the District shall furnish such 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.

## 7. Closing.

(a) At 10:00 A.M., Round Rock, Texas time, on July 31, 2019, or at such other time and date as shall have been mutually agreed upon by the District and the Underwriter (“**Closing**”), the District will, subject to the terms and conditions hereof, deliver the initial Bonds to Wells Fargo Bank, N.A., in Minneapolis, Minnesota (“**Registrar**”) as delivery agent for the Underwriter, duly executed and authenticated, and registered in the name of the Underwriter, in temporary form, together with the other documents required by Section 8 hereof, and the Registrar, as delivery agent for the Underwriter, will, subject to the terms and conditions hereof, accept such delivery, and the Underwriter will pay the Purchase Price plus accrued interest as set forth in Section 2 of this Agreement by delivering to the District a wire transfer of immediately available funds in the amount of the Purchase Price plus accrued interest.

(b) Delivery of the definitive Bonds in exchange for the initial Bonds shall be made through DTC, or deposited with the Registrar, if the Bonds are to be held in safekeeping for DTC by the Registrar pursuant to DTC’s FAST system, utilizing the book-entry-only form of issuance. The District has entered into or agrees to enter into such agreements, including a “Blanket Letter of Representations,” as may be required to allow for the use of such book-entry-only system. The definitive Bonds shall be delivered in fully registered form bearing CUSIP numbers without coupons with one Bond for each maturity. The definitive Bonds shall be registered in the name of CEDE & Co. and shall be made available to the Underwriter at the offices of the Registrar at least one (1) business day before the Closing for purposes of inspection, except that the failure to include CUSIP numbers or the printing of an incorrect CUSIP number on any Bond shall not be a default under this Agreement.

8. **Conditions to Closing.** The Underwriter has entered into this Agreement in reliance upon the representations and warranties of the District contained herein and to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriter’s obligations under this Agreement to purchase and pay for the Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments executed at or prior to the Closing, and shall also be subject to the following conditions:

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

(b) At the time of the Closing, the Bond Order shall be in full force and effect, the Bond Order shall not have been amended, modified or supplemented and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all official actions of the District related to the Bond Order shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter;

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

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



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

(2) The Bond Order duly certified by the Secretary or Assistant Secretary of the Board of Directors and an executed Pricing Certificate, both as in effect, with such changes or amendments as may have been agreed to by the Underwriter;

(3) The approving opinion of the Attorney General of Texas relating to the Bonds, certified by a Certificate of the Comptroller of Public Accounts of the State of Texas, dated on or prior to the date of Closing;

(5) The opinion, dated the date of Closing, of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect described in the Official Statement and in form and substance acceptable to the Underwriter concerning the validity of the Bonds under Texas law and the excludability of interest on the Bonds from gross income for federal income tax purposes;

(6) The supplemental opinion, dated the date of Closing, of McCall, Parkhurst & Horton L.L.P., addressed to the District and the Underwriter to the effect that, in its capacity as Bond Counsel, such firm has reviewed the information contained under the captions “PLAN OF FINANCING – Payment of Refunded Bonds,” “THE BONDS (except for the subcaption “Book-Entry-Only System”),” “LEGAL MATTERS,” “TAX MATTERS,” AND “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings”) contained in the Official Statement, and such firm is of the opinion that such information, insofar as it relates to matters of law, is true and correct and fairly summarizes matters of law and provisions of the documents referred to therein;

(7) An opinion from The Muller Law Group, PLLC, Underwriter’s Counsel, dated the date of the Closing, addressed to the Underwriter to the effect that the Bonds are exempted securities as described in Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended, to the extent provided in such Acts, 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 Bond Order under the Trust Indenture Act of 1939, as amended. The opinion of such firm shall also state that, based upon its participation in the preparation of the Official Statement, such Counsel has no reason to believe that the Official Statement (except for any financial and statistical data and forecasts, projections, numbers, estimates, assumptions, and expressions of opinion, information regarding statements regarding compliance with prior continuing disclosure undertakings, information concerning the Bond Insurance Policy and the Bond Insurer, if applicable, and information concerning The Depository Trust Company and the book-entry system for the Bonds, contained or incorporated by reference, as to which no view is expressed), as of the date thereof, contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate, dated the date of Closing, signed by the President or Vice President of the Board of Directors of the District in his or her official capacity, to the effect that (i) the representations and warranties of the District 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 knowledge of the District, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, 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, or in any way contesting or affecting the validity of the Bonds, the Bond Order, or this Agreement, or contesting the powers of the District or contesting the authorization of the Bonds or the Bond Order, or contesting in any way the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriter may, in their sole discretion, accept certificates or opinions of counsel of the District that, in his or her opinion, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (iii) the Bond Order has not been amended, modified, supplemented, or repealed since the date of the Bond Purchase Agreement, except as agreed to by the Underwriter, and is in full force and effect; (iv) to the best of his or her knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (v) there has not been any material and adverse change in the financial condition of the District since September 30, 2018, the latest date as to which audited financial information is available;

(9) A certificate, dated the date of Closing, of an appropriate officer of the Board of Directors of the District to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, 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 (“Code”);

(10) A copy of a special report (“**Verification Report**”) prepared by the independent Certified Public Accountants named in the Official Statement, addressed to the District, Bond Counsel, and the Underwriter verifying (i) the mathematical computations of the adequacy of the cash in the Payment Account to pay, as described in the Bond Order, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, and (ii) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes;

(11) Letters of representation addressed to the District and the Underwriter from each of the following individuals or entities in form and substance satisfactory to the Underwriter:

- (A) Engineer for the District; and
- (B) Auditor for the District.

(12) Evidence of the rating of S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, of no less than “AA-” (stable outlook) on the Bonds; and

(13) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel or Underwriter's Counsel may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the date of Closing, of the District's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance and satisfaction by the District at or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied by the District.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be in form and substance satisfactory to Bond Counsel and Underwriter's Counsel.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds, as set forth in this Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate, and neither the Underwriter nor the District shall be under further obligation hereunder, except that the respective obligations of the District and the Underwriter set forth in Paragraph 10 hereof shall continue in full force and effect.

**9. Termination.** The Underwriter may terminate their obligation to purchase the Bonds, if at any time after the date hereof, but before Closing, any of the following should occur:

(a) (i) Legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States, (by press release or other form of written notice, but expressly not including posting on a social media platform), or 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, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or (iii) an order, ruling or regulation (final, temporary, or proposed), press release, statement, or other form of notice shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, the effect of which, in any such case described in clause (i), (ii), or (iii), would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or upon income of the general character to be derived by the District, other than any imposition of federal income taxes upon interest received on obligations of the general character as the Bonds on the date hereof, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein, in such a manner as in the reasonable judgment of the Underwriter would materially impair the marketability or materially adversely affect the market price of the Bonds.

(b) Any action shall have been taken by the SEC or by a court of competent jurisdiction which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court or by any governmental authority of competent jurisdiction suspending the use of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered by a court of competent

jurisdiction as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof, affecting the tax status of the District, its property or income, its bonds (including the Bonds) or the interest thereon, which in the judgment of the Underwriter would materially affect the market price of the Bonds.

(d) (i) A general suspension of trading in securities shall have occurred on the New York Stock Exchange, (ii) the United States shall have become engaged in hostilities, which have resulted in the declaration, on or after the date of this Agreement, of a national emergency or war, except for current hostilities in Iraq, Afghanistan, and Syria, unless such current hostilities are escalated beyond that in existence on the date of this Agreement, or (iii) there shall have occurred any national or international calamity or crisis in the financial markets or otherwise of the United States, the effect of which, in any case described in clauses (i), (ii), or (iii), is, in the reasonable judgment of the Underwriter, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated in this Agreement and the Official Statement.

(e) An event described in Paragraph 6(l) hereof occurs which requires a supplement or amendment to the Official Statement, and such supplement or amendment has, or would have, a material adverse effect upon the marketability or market price of the Bonds.

(f) A general banking moratorium shall have been declared by authorities of the United States, the State of New York or the State of Texas.

(g) Failure to provide, within seven business days of the date hereof, an Official Statement in form and substance satisfactory to the Underwriter.

(h) There shall have occurred any materially adverse change in the financial condition of the District, except for changes which the Official Statement discloses are expected to occur.

(i) 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 District's obligations.

**10. Expenses.** At or promptly following the Closing:

(a) The District shall pay (and the Underwriter shall be under no obligation to pay) any expenses incident to the performance of the District's obligations hereunder, including but not limited to: (i) the cost of the preparation, printing and distribution of the Preliminary Official Statement and the Official Statement (including amendments or supplements thereto); (ii) the cost, if any, of the preparation and printing of the Bonds; (iii) the fees and expenses of Bond Counsel; (iv) the fees and disbursements of the Attorney General of the State of Texas and the District's accountants, financial advisors, engineers, and any other experts or consultants or advisors retained by the District, including the fee of the independent certified accountants named in the Official Statement for the preparation of the Verification Report; (v) bond insurance premiums, if any, (vi) rating agencies' fees, if any; and (viii) redemption fees, if any.

(b) The Underwriter hereby advises the District, and the District acknowledges, that the Underwriter will pay from the Underwriter's expense allocation of the Underwriter's discount (i) any expenses incurred by the Underwriter that are incidental to implementing this Agreement and the issuance of the Bonds, including but not limited to, meals, transportation, and lodging, if any, and any other miscellaneous closing costs, and (ii) the applicable per bond assessment charged by the Municipal Advisory Council of Texas, a non-

profit corporation whose purpose is to collect, maintain and distribute information relating to issuing entities of municipal securities. The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

(c) The Underwriter shall pay (and the District shall be under no obligation to pay): (i) all advertising expenses in connection with the offering of the Bonds; (ii) the cost of the preparation and printing of all the underwriting documents (other than the Preliminary Official Statement and the Official Statement); (iii) fees and expenses of Underwriter’s Counsel; and (iv) all other expenses incurred by them in connection with the offering and distribution of the Bonds.

(d) In the event that the Bonds are not purchased by the Underwriter, except as otherwise permitted in Paragraphs 8 and 9 hereof, the Underwriter shall be responsible for the payment of all costs and expenses of the District incident to the authorization, issuance and delivery of the Bonds.

**11. Notices.** Any notice or other communication to be given to the District or the Underwriter under this Agreement may be given by delivering the same in writing at the addresses below:

|             |   |
|-------------|---|
| District    | Brushy Creek Municipal Utility District<br>16318 Great Oaks Drive<br>Round Rock, Texas 78681                |
| Underwriter | Raymond James & Associates Inc.<br>5847 San Felipe, Suite 412<br>Houston, TX 77057<br>Attention: Debi Jones |

The approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by the Underwriter and delivered to the District.

**12. Parties in Interest.** This Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The representations, warranties and agreements 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, and (ii) delivery of any payment for the Bonds hereunder.

**13. Compliance with Laws Prohibiting Contracts with Companies Boycotting Israel and Certain Companies Engaged in Business with Iran, Sudan or Foreign Terrorist Organizations.**

(a) The Underwriter hereby verifies that it and its parent company, wholly or majority-owned subsidiaries, and other affiliates, if any, do not “boycott Israel” (as such phrase is defined in Section 2270.001, Texas Government Code) and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement.

(b) The Underwriter represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website (or any subsequent website maintained by the Comptroller for purposes of compliance with such statutes):

<https://comptroller.texas.gov/purchasing/publications/divestment.php>

(c) The foregoing verifications are made solely to comply with Sections 2270.002 and 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and with respect to Section 2252.152, Texas Government Code, excludes the Underwriter and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.. The Underwriter understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Underwriter and exists to make a profit.

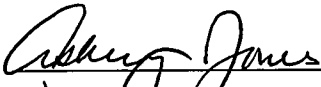
**14. Additional Disclosure.** In accordance with Texas Government Code, Section 2252.908, the Underwriter represents and warrants that at the time of this Agreement, the Underwriter (i) has previously submitted, or is submitting herewith, or a completed Form 1295 (“**Disclosure Form**”), or (ii) is exempt from submitting such Disclosure Form. The Underwriter and the District understand that neither the District nor its consultants have the ability to verify the information included in the Disclosure Form, if required, and neither the District nor its consultants have an obligation, nor have undertaken any responsibility, to advise the Underwriter, with respect to the proper completion of the Disclosure Form.

**15. Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in its terms and effect to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

**16. Effective Date.** This Agreement shall become effective upon the execution of the acceptance hereof by the Authorized Representative of the District and shall be valid and enforceable as of the time of such acceptance.


Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.

By:   
Title: Vice President

**Accepted** at 1:20 ~~pm~~ p.m. CST on June 26, 2019.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

Exhibits:

Exhibit A – Inside Cover Page of Official Statement

Exhibit B – Issue Price Certificate

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**EXHIBIT A**  
**INSIDE COVER PAGE OF OFFICIAL STATEMENT**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS**

| Maturity<br>(June 1) (a) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) | Maturity<br>(June 1) (a) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) |
|--------------------------|---------------------|------------------|------------------------------------|---------------------|--------------------------|---------------------|------------------|------------------------------------|---------------------|
| 2021                     | \$1,535,000         | 3.000%           | 1.650%                             | 117464 ST5          | ****                     | ****                | ****             | ****                               | ****                |
| 2022                     | 1,585,000           | 3.000%           | 1.700%                             | 117464 SU2          | 2025                     | \$200,000           | 3.000%           | 1.930%                             | 117464 SW8          |
| 2023                     | 1,385,000           | 3.000%           | 1.750%                             | 117464 SV0          | 2026                     | 1,900,000           | 4.000%           | 2.020%                             | 117464 SX6          |

(a) The Bonds are not subject to redemption prior to maturity.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. Accrued interest from July 1, 2019, is to be added to the price.

(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.



## Exhibit B

### ISSUE PRICE CERTIFICATE

The undersigned, as the duly authorized Underwriter of Raymond James & Associates, Inc. (“Underwriter”), with respect to the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 issued by the Brushy Creek Municipal Utility District (“Issuer”) in the principal amount of \$6,605,000 (“Bonds”), hereby certifies, based on its records and information available to it, as follows:

(a) [Other than the Bonds maturing in \_\_\_\_\_ (“Hold-the-Price Maturities”), the] [The] first price at which at least ten percent (“Substantial Amount”) of the principal amount of each maturity of the Bonds having the same credit and payment terms (“Maturity”) was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (“Public”) is set forth in the final Official Statement relating to the Bonds.

(b) On or before the first day on which Bond Purchase Agreement is entered into the Syndicate offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices (the “Initial Offering Prices”), as listed in the final Official Statement relating to the Bonds.

(c) As set forth in the Bond Purchase Agreement, the Underwriter represents that each member of the Syndicate agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the respective Initial Offering Price for such Maturity until a date that is the earlier of the close of the fifth business day after the Sale Date or the date on which the Syndicate sells a Substantial Amount of a Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule A.

For purposes of this Issue Price Certificate, the term “Underwriter” means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

[Signature Page Follows]

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. 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. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this \_\_\_\_\_, 2019.

RAYMOND JAMES & ASSOCIATES, INC.

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

Name: \_\_\_\_\_

SCHEDULE A  
PRICING WIRE OR EQUIVALENT COMMUNICATION  
*(Attached)*

4818-5178-7930, v. 1

## PRICING CERTIFICATE

I, the undersigned Chief Financial Officer 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 30, 2019 (the "Bond Order") relating to the issuance of the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 (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 June 26, 2019, 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 \$6,605,000.

B. The Bonds will be issued as serial Current Interest Bonds dated July 1, 2019, 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:

\$6,605,000

| Maturity Date<br>(June 1) | Principal<br>Amount | Interest Rate |
|---------------------------|---------------------|---------------|
| 2021                      | \$1,535,000         | 3.000%        |
| 2022                      | 1,585,000           | 3.000         |
| 2023                      | 1,385,000           | 3.000         |
| 2025                      | 200,000             | 3.000         |
| 2026                      | 1,900,000           | 4.000         |

C. Interest on the Bonds shall be payable June 1 and December 1 of each year, commencing December 1, 2019. 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 are not subject to redemption prior to maturity.

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

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 \$337,157.79 (4.950922% of the Refunded Bonds), net of any District contribution to the refunding, and a gross debt service savings of \$372,116.67.

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 the election held within the District on November 6, 2001, the District has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$58,650,000 (assuming issuance of the entire voted authorization). See Exhibit "B" attached hereto for a breakdown of remaining new money and refunding authorization.

7. In accordance with Article 19 of the Bond Order, the District shall provide annually to the MSRB 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 30, 2019, 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.

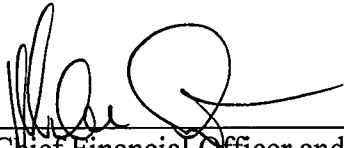
9. In consultation with, and reliance upon the advice of the financial advisor for the District, I determined that using a negotiated sale was in the best interest of the District and further hereby find that the terms of sale are the most advantageous reasonably available on the date and time of the 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 "C" attached hereto.

*[Signature Page Follows]*

WITNESS MY HAND this 26th day of June, 2019.

**BRUSHY CREEK MUNICIPAL UTILITY  
DISTRICT**

By:   
\_\_\_\_\_  
Chief Financial Officer and Pricing Officer

*[Signature Page for Pricing Certificate]*

**EXHIBIT "A"**  
**NOTICE OF REDEMPTION**

CONDITIONAL NOTICE OF REDEMPTION

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

Notice is hereby given that the following obligations issued by Brushy Creek Municipal Utility District (the "District") have been 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 UNLIMITED TAX REFUNDING BONDS, SERIES 2009**, outstanding obligations maturing on June 1 in each of the years 2021 and 2022, aggregating \$470,000 in principal amount (the "Series 2009 Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 230,000              | 4.125%               | July 31, 2019          | 117464LA3     |
| 2022                 | 240,000                 | 4.375                | July 31, 2019          | 117464LB1     |

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2010**, outstanding obligations maturing on June 1 in each of the years 2021, 2022, 2023 and 2026 aggregating \$6,340,000 in principal amount (the "Series 2010 Redeemed Bonds") (the Series 2009 Redeemed Bonds and the Series 2010 Redeemed Bonds are collectively referred to herein as the "Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 1,320,000            | 4.000%               | July 31, 2019          | 117464LS4     |
| 2022                 | 1,375,000               | 4.000                | July 31, 2019          | 117464LT2     |
| 2023                 | 1,430,000               | 4.000                | July 31, 2019          | 117464LU9     |
| 2026                 | 2,215,000               | 4.000                | July 31, 2019          | 117464LW5     |

\*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.

This Conditional Notice of Redemption and the payment of the principal of and interest on the Redeemed Bonds on the Redemption Date are subject to the issuance and delivery of the District's Unlimited Tax Refunding Bonds Series 2019 (the "Refunding Bonds") on or before the Redemption Date. In the event such Refunding Bonds are not issued on or before the Redemption Date, the conditional redemption of the Redeemed Bonds shall be null and void and of no force and effect, and any Redeemed Bonds delivered for redemption shall be returned to the respective owners thereof. In such case, said Redeemed Bonds shall remain outstanding as though this Conditional Notice of Redemption had not been given.

The Redeemed Bonds shall be redeemed upon presentation at the principal corporate offices of Wells Fargo Bank, N.A., as paying agent/registrar for the Redeemed Bonds, at the addresses set forth below. Interest on the Redeemed Bonds shall cease to accrue from and after the Redemption Date, if the Redeemed Bonds are redeemed as provided in this Conditional Notice of Redemption.

**First Class/Registered/Certified Mail**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9303-121  
6<sup>th</sup> & Marquette Avenue  
Minneapolis, MN 55479

**By Hand**

Wells Fargo Bank, N.A.  
Northstar East Building  
608 2<sup>nd</sup> Ave. So., 12<sup>th</sup> Floor  
Minneapolis, MN

Interest on the Redeemed Bonds 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**



## EXHIBIT B

### BRUSHY CREEK MUNICIPAL UTILITY DISTRICT VOTED AUTHORIZATION FROM THE NOVEMBER 6, 2001 ELECTION

Pursuant to the November 6, 2001 election (the "Election"), the voters of the District authorized the issuance of \$39,100,000 of unlimited tax new money bonds and \$58650,000 in unlimited tax refunding bonds. The remaining voted authorization from the Election, after the issuance of the Bonds, is as follows:

*Remaining Unlimited Tax New Money Authorization – \$2,100,000*

| Series                           | Par Amount Issued | New Money Authorization Remaining After Issuance |
|----------------------------------|-------------------|--|
| Unlimited Tax Bonds, Series 2003 | \$27,500,000      | \$11,600,000                                     |
| Unlimited Tax Bonds, Series 2005 | \$ 9,500,000      | \$ 2,100,000                                     |

*Remaining Unlimited Tax Refunding Authorization – \$52,854,641.19\**

| Series                                     | Par Amount Issued         | Par Amount of Bonds Refunded | Amount in Excess of the Par | Amount of Premium Applied to Refunding Authorization | Refunding Authorization Remaining After Issuance* |
|--|---------------------------|------------------------------|-----------------------------|--|---|
| Unlimited Tax Refunding Bonds, Series 2007 | \$7,840,000 <sup>a</sup>  | \$7,440,000                  | \$400,000                   | \$-0-  | \$55,100,000.00*                                  |
| Unlimited Tax Refunding Bonds, Series 2009 | \$7,975,000 <sup>b</sup>  | \$8,145,000                  | \$-0-                       | \$288,777.60   | \$54,811,222.40                                   |
| Unlimited Tax Refunding Bonds, Series 2010 | \$17,190,000 <sup>c</sup> | \$17,050,000                 | \$140,000                   | \$144,274.35   | \$54,526,948.05                                   |
| Unlimited Tax Refunding Bonds, Series 2011 | \$2,085,000               | \$2,025,000                  | \$60,000                    | \$-0-  | \$54,466,948.05                                   |
| Unlimited Tax Refunding Bonds, Series 2012 | \$9,260,000 <sup>d</sup>  | \$9,140,000                  | \$120,000                   | \$650,339.89   | \$53,696,608.16                                   |
| Unlimited Tax Refunding Bonds, Series 2013 | \$6,125,000 <sup>e</sup>  | \$5,950,000                  | \$175,000                   | \$309,553.95   | \$53,212,054.21                                   |
| Unlimited Tax Refunding Bonds, Series 2019 | \$6,605,000 <sup>f</sup>  | \$6,810,000                  | \$-0-                       | \$357,413.02   | \$52,854,641.19                                   |

\*Assumes \$55,500,000 refunding authorization based on bonds issued pursuant to the election of \$37,000,000. Once the District issues the remaining \$2,100,000 in new money bonds, total authorization equals \$58,650,000.

<sup>a</sup> The Unlimited Tax Refunding Bonds, Series 2007 generated \$0 of net original issue premium.

<sup>b</sup> The Unlimited Tax Refunding Bonds, Series 2009 generated \$448,277.60 of original issue premium. Of that amount, \$159,500 underwriter's discount was applied against premium and the remaining \$288,777.60 of original issue premium was applied to the Unlimited Tax Refunding Authorization.

<sup>c</sup> The Unlimited Tax Refunding Bonds, Series 2010 generated \$402,124.35 of original issue premium. Of that amount, \$257,850 underwriter's discount was applied against premium and the remaining \$144,274.35 of original issue premium, together with the par to par difference, was applied to the Unlimited Tax Refunding Authorization.

<sup>d</sup> The Unlimited Tax Refunding Bonds, Series 2012 generated \$712,016.00 of original issue premium. Of that amount, \$61,676.11 underwriter's discount was applied against premium and the remaining \$650,339.89 of original issue premium, together with the par to par difference, was applied to the Unlimited Tax Refunding Authorization.

<sup>e</sup> The Unlimited Tax Refunding Bonds, Series 2013 generated \$363,128.95 of original issue premium. Of that amount, \$53,575.00 underwriter's discount was applied against premium and the remaining \$309,553.95 of original issue premium, together with the par to par difference, was applied to the Unlimited Tax Refunding Authorization.

<sup>f</sup> In the process of Issuance. The Unlimited Tax Refunding Bonds, Series 2019 generated \$408,548.30 of original issue premium. Of that amount, \$51,135.28 was applied to underwriter's discount and the remaining \$357,413.02 was applied to the Unlimited Tax Refunding Authorization.

**EXHIBIT "C"**

**FORM OF BOND**

**UNITED STATES OF AMERICA  
STATE OF TEXAS**

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BOND  
SERIES 2019**

NO. R-\_\_

**PRINCIPAL  
AMOUNT**  
\$ \_\_\_\_\_

INTEREST RATE    DATE OF BONDS    MATURITY DATE    CUSIP NO.

July 1, 2019

**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, 2019 on December 1, 2019 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, N.A., which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Minneapolis, Minnesota. 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 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 July 1, 2019 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$6,605,000 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.

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

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

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

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

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

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

**THE DISTRICT RESERVES THE RIGHT** to issue additional bonds heretofore or hereafter duly authorized at elections held in the District payable from a lien on and pledge of taxes; bonds, notes and other obligations of inferior liens, and revenue bonds, notes and other

obligations payable solely from revenues of the District or revenues to be received under contracts with other persons, including private corporations, municipalities and political subdivisions or from any other source. The District further reserves the right to issue refunding bonds in any manner permitted by law to refund any bonds (including the Bonds) at or prior to their respective dates of maturity or redemption.

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

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

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

**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 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 June 1 in each of the years, in installments of the respective Maturity Amounts set forth in the following schedule:

| Maturity Date<br>(June 1) | Principal<br>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 July 1, 2019 at the respective Interest Rate per annum specified above. Interest is payable on December 1, 2019 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".

**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)

**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.,**  
Minneapolis, Minnesota  
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.

## PAYING AGENT/REGISTRAR AGREEMENT

**THIS AGREEMENT** entered into as of July 1, 2019 (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 Unlimited Tax Refunding Bonds, Series 2019 in the aggregate principal amount of \$6,605,000 (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 July 31, 2019; 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:

"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 or Redemption 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. The Issuer agrees to transfer or cause to be transferred to the Bank by no later than 2:00 p.m. Central Time on the business day immediately preceding the payment dates, immediately available funds in the amounts sufficient to pay principal, premium (if any), and/or interest when due.

**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 a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Paying Agent 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.**

At any time when the Securities are not subject to a book-entry-only system of registration and transfer, 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 in writing 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 intervals as it determines, cancel and destroy, pursuant to the Securities Exchange Act of 1934, all bonds in lieu of which or in exchange for which other Bonds have been issued, or which have been paid. The Paying Agent shall retain and destroy canceled and matured Bonds upon expiration of the appropriate retention period.

**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.

The bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor of the Issuer.

Notwithstanding any other provision contained herein, the Bank is acting solely as agent of the Issuer and does not assume any obligation or relationship with any Holder.

**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 (including its directors, officers and employees) 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 (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or removal of the Paying Agent/Registrar and the termination of 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 and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto, the Bank shall report, or assure that a report is made to the Holder and the Internal Revenue Service, any amount of acquisition premium, interest paid on, original issue discount or adjusted basis of the Security.

**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. Any corporation or association into which the Bank may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Paying Agent/Registrar/Depository hereunder and vested with all of the powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything hereinto to the contrary notwithstanding.

**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.

**Section 6.12. Anti-Boycott.** The Paying Agent represents and warrants, for purposes of Chapter 2270 of the Texas Government Code, that at the time of execution and delivery of this Agreement, neither the Paying Agent, nor any parent company, wholly- or majority-owned subsidiaries or affiliates of the same, if any, boycotts Israel or will boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Paying Agent understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Paying Agent and exists to make a profit.

**Section 6.13. Terrorist Organizations.** The Paying Agent represents that, neither the Paying Agent, nor any parent company, wholly- or majority-owned subsidiaries or affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>,  
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or  
<https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Paying Agent and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist

organization. The Paying Agent understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Paying Agent and exists to make a profit.

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:

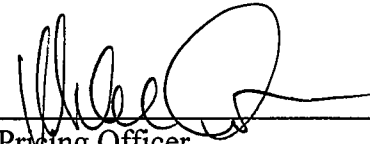
Wells Fargo Bank, N.A.

600 S. 4<sup>th</sup> Street, 6<sup>th</sup> Floor

MAC N9300-060

Minneapolis, Minnesota 55415

**BRUSHY CREEK MUNICIPAL UTILITY  
DISTRICT**

By  \_\_\_\_\_  
Pricing Officer

Address:  
16318 Great Oaks Drive  
Round Rock, Texas 78681

**SCHEDULE A**

**Paying Agent/Registrar Fee Schedule**



## Schedule of Fees

To provide registrar and paying agent services

Brushy Creek Municipal Utility District

Unlimited Tax Refunding Bonds, Series 2019

### Account Acceptance Fee (per series)

\$1,000.00

A one-time fee for acting in the capacity of paying agent and registrar. This includes review of the paying agent and 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 or registrar agreement execution.

### Paying Agent Annual Administration Fee (per series)

\$1,000.00

Annual fee for ordinary administration services provided by the paying agent or 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.

These costs may include, but are not limited to, counsel fees and expenses, accountant's fees and expenses, DTC fees, UCC filing fees, wire transfer fees, and transaction fees to settle third party trades.

### 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. The review of complex tax forms, including by way of example but not limited to IRS Form W-8IMY, shall be considered extraordinary services.

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 below assumptions which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role of paying agent or registrar.

- Bond form: Book entry / DTC
- Number of series: One (1)
- Interest rate: Fixed
- Frequency of interest payments to holders: Semiannually
- Frequency of principal payments to holders: Not more than annually
- Fees do not include cost of issuance / depository services
- Fees quoted assume all transaction account balances will be held uninvested, invested in select Wells Fargo deposit products, or invested in money market mutual funds currently available on Wells Fargo's sweep platform

## 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 all the following:
  - Compliance with the requirements of the USA Patriot Act of 2001, described below
  - Satisfactory completion of Wells Fargo's internal account acceptance procedures
  - 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
  - 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 shall 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, Wells Fargo asks for your name, address, date of birth (for individuals), TIN or EIN or other information that allows for identification of you or your company. For individuals, this could mean providing a Social Security number. 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.

## Statement of Confidentiality

All of the information contained in or related to this fee proposal is confidential and proprietary to Wells Fargo (the "Confidential Information"). The recipient(s) of any Confidential Information acknowledges and agrees that such information shall be held in strict confidence and shall not be disclosed, duplicated, or used, in whole or in part, for any purpose other than the evaluation of Wells Fargo's qualifications for the applicable role(s) described without the prior written consent of Wells Fargo.

## Contact Information

Molly Vachuska  
Wells Fargo Bank, N.A.  
600 S. 4<sup>th</sup> Street, 6<sup>th</sup> Floor  
Minneapolis, MN 55415  
Phone: (612) 667-3539  
Email: [maureen.e.vachuska@wellsfargo.com](mailto:maureen.e.vachuska@wellsfargo.com)

Acknowledged by:

Brushy Creek Municipal Utility District

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Signature

---

Printed name

---

Title

---

Date

# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

(Name of Issuer and Co-Issuer(s), if applicable)

**May 30, 2019**

(Date)

**The Depository Trust Company**  
18301 Bermuda Green Drive  
Tampa, FL 33647  
Attention: Underwriting Department

Ladies and Gentlemen:

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

Issuer is: **(Note: Issuer shall represent one and cross out the other.)**

~~XXXXXXXXXXXX~~ [incorporated in] [formed under the laws of] the State of Texas

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:

(Authorized Officer's Signature)

**Mike Petter, Chief Financial Officer**

(Print Name)

**16318 Great Oaks Drive**

(Street Address)

**Round Rock Texas Williamson 78681**

(City)

(State)

(Country)

(Zip Code)

**(512) 255-7871**

(Phone Number)

**M.Petter@bcmud.org**

(E-mail)

**DTCC**

Address)

**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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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.

**SCHEDULE A**  
(To Blanket Issuer Letter of Representations)

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 MMI 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, 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-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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.

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 offer, solicitation or sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 30, 2019**

*This Preliminary Official Statement is subject to completion and amendment. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.*

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

The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings..... "AA-"

**\$6,740,000\***

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

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

**UNLIMITED TAX REFUNDING BONDS**

**SERIES 2019**

Dated: July 1, 2019

Due: June 1, as shown on inside cover

The \$6,740,000\* Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"), are obligations of Brushy Creek Municipal Utility District (the "District") and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Wells Fargo Bank, N.A. (the "Paying Agent/Registrar"). Interest accrues from July 1, 2019, and is payable December 1, 2019, and on each June 1 and December 1 thereafter (each an "Interest Payment Date") until maturity. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.**

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its legal counsel The Muller Law Group, PLLC, Sugar Land, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about July 31, 2019.

**RAYMOND JAMES**

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\* Preliminary; subject to change.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS**

| Maturity<br>(June 1) (a) | Principal<br>Amount* | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) | Maturity<br>(June 1) (a) | Principal<br>Amount* | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) |
|--------------------------|----------------------|------------------|------------------------------------|---------------------|--------------------------|----------------------|------------------|------------------------------------|---------------------|
| 2020                     | \$20,000             | ___%             | ___%                               | ___                 | ****                     | ****                 | ****             | ****                               | ****                |
| 2021                     | 1,560,000            | ___%             | ___%                               | ___                 | 2025                     | \$225,000            | ___%             | ___%                               | ___                 |
| 2022                     | 1,610,000            | ___%             | ___%                               | ___                 | 2026                     | 1,915,000            | ___%             | ___%                               | ___                 |
| 2023                     | 1,410,000            | ___%             | ___%                               | ___                 |                          |                      |                  |                                    |                     |

(a) The Bonds are not subject to redemption prior to maturity.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. Accrued interest from July 1, 2019, is to be added to the price.

(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

\* Preliminary; subject to change.



## 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 or the Underwriter.

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

The Financial Advisor (herein defined) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brushy Creek Municipal Utility District (the "District") of its \$6,740,000\* Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001. The District operates pursuant to Article 16, Section 59 and Chapters 49 and 54 of the Texas Water Code, as amended.

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

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

## SALE AND DISTRIBUTION OF THE BONDS

### Underwriting

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$\_\_\_\_\_ (being the par amount of the Bonds, plus/less a net original issue premium/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.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

### Prices and Marketability

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

### Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or

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\* Preliminary; subject to change.

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.

#### **Delivery of Official Statements**

The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Underwriter. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may reasonably request prior to the 90<sup>th</sup> day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Underwriter and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

#### **RATING**

S&P Global Ratings ("S&P") has assigned credit rating of "AA-" to the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P 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. 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 S&P, if in its 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 S&P.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

*[Remainder of this page intentionally left blank]*

## 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 this entire Official Statement and of the documents summarized or described herein.

### THE BONDS

|                                  |   |
|----------------------------------|---|
| The District.....                | Brushy Creek Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Williamson County, Texas. See "THE DISTRICT."  |
| The Bonds.....                   | The District's \$6,740,000* Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds") are dated July 1, 2019, and mature on June 1 in each of the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from July 1, 2019, at the rates set forth on the inside cover page hereof and is payable December 1, 2019, and each June 1 and December 1 thereafter until maturity. See "THE BONDS."  |
| No Redemption of the Bonds ..... | The Bonds are not subject to redemption prior to maturity.  |
| Book-Entry-Only System.....      | The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Well Fargo Bank, N.A. (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System." |
| Source of Payment.....           | The Bonds are payable from the proceeds of a continuing, direct ad valorem tax, unlimited as to rate or amount, levied annually by the District against all taxable property located within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."   |
| Payment Record.....              | The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.  |
| Authority for Issuance.....      | The Bonds are issued pursuant to the Bond Order adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001. The District operates pursuant to  |

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\* Preliminary; subject to change.

Article 16, Section 59 and Chapters 49 and 54 of the Texas Water Code, as amended.

- Remaining Outstanding Bonds.....The District has previously issued nineteen (19) series of bonds supported by the proceeds of a continuing, direct ad valorem tax, unlimited as to rate or amount, levied annually by the District upon taxable property located within the entirety of the District. Of such series of bonds previously issued by the District, \$17,380,000\* principal amount of unlimited tax bonds will remain outstanding (the "Remaining Outstanding Bonds") following the refunding of the Refunded Bonds (hereinafter defined). See "PLAN OF FINANCING - Remaining Outstanding Bonds" and "THE BONDS - Previously Issued and Remaining Outstanding Bonds."
- Other Outstanding Debt.....The District has also previously issued six (6) series of unlimited tax bonds that are secured solely by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined), which, as of June 2, 2019, \$11,320,000 principal amount remains outstanding. Defined Area Bonds (herein defined) are payable solely from the proceeds of taxes levied upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the entire District, including the Defined Area. In addition, the District has previously issued certain debt obligations, paid solely from revenues from operation of the District's utility systems revenues, of which \$5,385,000 principal amount remains outstanding as of June 2, 2019. See "THE BONDS - Previously Issued and Remaining Outstanding Bonds."
- Use of Proceeds.....Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to achieve a debt service savings by currently refunding \$6,810,000\* principal amount of the following two (2) series of bonds previously issued by the District: \$7,975,000 Unlimited Tax Refunding Bonds, Series 2009, and \$17,190,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Refunded Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."
- Municipal Bond Rating.....S&P Global Ratings has assigned a rating of "AA-" to the Bonds. See "RATING" above.
- Not Qualified Tax-Exempt Obligations.....The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.
- Bond Counsel.....McCall, Parkhurst & Horton L.L.P., Austin, Texas. See "LEGAL MATTERS."
- General Counsel.....McLean & Howard, LLP, Austin, Texas.
- Underwriter's Counsel.....The Muller Law Group, PLLC, Sugar Land, Texas.

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\* Preliminary; subject to change.

Financial Advisor.....Robert W. Baird & Co. Incorporated, Houston, Texas.

**THE DISTRICT**

Description.....The District, which was originally created as Williamson County Municipal Utility District No. 2, is located in Williamson County, Texas, and is a political subdivision of the State of Texas created in 1977 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), 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."

Location.....The District currently contains approximately 2,270 acres of land and is located approximately 1.5 miles west of the City of Round Rock, Texas ("Round Rock" or "City") and approximately 19 miles north of the City of Austin, Texas. Approximately 416,683 acres within the District are part of the Sendero Springs and Cornerstone Defined Area, referred to herein as the "Defined Area." The District lies within the extraterritorial jurisdiction of Round Rock and within the boundaries of Williamson County and Round Rock Independent School District. See "THE DISTRICT – General."

Status of Development.....Development of lands within the District is complete. Approximately 1,957 acres have been developed as various subdivisions that include single-family residential, multi-family residential, commercial, and retail properties. Improvements within the single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction. Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools, three churches and a 9-acre reserve. In addition, the District contains 60 acres of parks, and 131 acres of greenbelts and flood plain acres. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land. See "STATUS OF DEVELOPMENT."

**INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

|  |                          |
|--|--------------------------|
| 2018 Taxable Assessed Valuation.....                               | \$ 2,089,546,784 (a)     |
| 2019 Preliminary Valuation.....                                    | \$ 2,207,794,437 (b)     |
| <b>Direct Debt:</b>  |                          |
| The Remaining Outstanding Bonds.....                               | \$ 17,380,000 *          |
| The Bonds.....   | <u>\$ 6,740,000</u> *    |
| Total.....   | \$ 24,120,000 *          |
| Estimated Overlapping Debt.....                                    | <u>\$ 88,344,831</u> (c) |
| Total Direct and Estimated Overlapping Debt.....                   | \$ 112,464,831 (c)*      |
| <b>Direct Debt Ratios:</b>   |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 1.15 %*                  |
| As a percentage of the 2019 Preliminary Valuation.....             | 1.09 %*                  |
| <b>Direct and Estimated Overlapping Debt Ratios:</b>               |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 5.38 %*                  |
| As a percentage of the 2019 Preliminary Valuation.....             | 5.09 %*                  |
| District Debt Service Fund Balance (as of March 31, 2019).....     | \$7,941,029 (d)          |
| Defined Area Debt Service Fund Balance (as of March 31, 2019)..... | \$2,422,720 (e)          |
| General Operating Fund Balance (as of March 31, 2019).....         | \$18,304,369             |

(a) Represents the taxable assessed valuation as of January 1, 2018, of all taxable property in the District, as certified by the Williamson Central Appraisal District ("WCAD"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the WCAD. This preliminary value is subject to protest by the owners of taxable property in the District and is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by the WCAD. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes all \$11,320,000 principal amount of Defined Area Bonds (herein defined) outstanding as of June 2, 2019, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT - Estimated Overlapping Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Amounts on deposit in this fund are reserved for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District.

(e) Amounts on deposit in this fund are reserved for payment of debt service on Defined Area Bonds and may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds.

\* Preliminary; subject to change.



**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

|   |                  |
|---|------------------|
| 2018 Tax Rate per \$100 of Taxable Assessed Valuation                         |                  |
| Debt Service .....  | \$0.14 (a)       |
| Maintenance and Operation.....  | <u>\$0.32</u>    |
| Total.....  | \$0.46           |
| Estimated Average Annual Debt Service Requirement (2019–2028).....            | \$2,817,984 (b)* |
| Estimated Maximum Annual Debt Service Requirement (2028) .....                | \$3,284,079 (b)* |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay |                  |
| Estimated Average Annual Debt Service Requirement (2019–2028)                 |                  |
| Based on the 2018 Taxable Assessed Valuation at 95% Tax Collections .....     | \$0.15 *         |
| Based on the 2019 Preliminary Valuation at 95% Tax Collections.....           | \$0.14 *         |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay |                  |
| Estimated Maximum Annual Debt Service Requirement (2028)                      |                  |
| Based on the 2018 Taxable Assessed Valuation at 95% Tax Collections .....     | \$0.17 *         |
| Based on the 2019 Preliminary Valuation at 95% Tax Collections.....           | \$0.16 *         |

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(a) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, for payment of debt service on the Remaining Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds. See "DISTRICT DEBT – Estimated Overlapping Taxes."

(b) Represents debt service requirements on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

\* Preliminary; subject to change.

## INTRODUCTION

This Official Statement of Brushy Creek Municipal Utility District (the "District") is provided to furnish information with respect to the issuance by the District of its \$6,740,000 \* Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001.

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Order, and certain information about the District and its finances. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from McCall, Parkhurst & Horton L.L.P., 600 Congress Avenue, Suite 1800, Austin, Texas 78701, upon payment of the costs of duplication therefor.

## PLAN OF FINANCING

### Use of Proceeds

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to currently refund \$6,810,000 \* principal amount of the following two (2) series of bonds previously issued by the District: \$7,975,000 Unlimited Tax Refunding Bonds, Series 2009 ("Series 2009 Refunding Bonds"), and \$17,190,000 Unlimited Tax Refunding Bonds, Series 2010 ("Series 2010 Refunding Bonds") (collectively, the "Refunded Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

### The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

| Series 2009 Refunding Bonds |               | Series 2010 Refunding Bonds |               |
|-----------------------------|---------------|-----------------------------|---------------|
| Principal Amount*           | Maturity Date | Principal Amount*           | Maturity Date |
| \$230,000                   | 06/01/2021    | \$1,320,000                 | 06/01/2021    |
| <u>240,000</u>              | 06/01/2022    | 1,375,000                   | 06/01/2022    |
| \$470,000                   |               | 1,430,000                   | 06/01/2023    |
|                             |               | <u>2,215,000</u>            | 06/01/2026    |
|                             |               | \$6,340,000                 |               |

Total Principal Amount of the Refunded Bonds: \$6,810,000 \*

Redemption Date: July 31, 2019\*

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\* Preliminary; subject to change.

### Remaining Outstanding Bonds

The District has previously issued nineteen (19) series of bonds supported by the proceeds of a continuing, direct ad valorem tax, unlimited as to rate or amount, levied annually by the District upon all taxable property located within the entirety of the District. Of such nineteen (19) series of bonds previously issued by the District, six (6) series of bonds, as shown in the table below, continue to have principal outstanding, and, following the refunding of the Refunded Bonds, \$17,380,000\* principal amount of unlimited tax bonds will remain outstanding (the "Remaining Outstanding Bonds").

The following table lists the principal amounts of the Remaining Outstanding Bonds.

| Series | Original<br>Principal<br>Amount | Principal<br>Currently<br>Outstanding | Less:<br>Refunded<br>Bonds* | Remaining<br>Outstanding<br>Bonds* |
|--------|---------------------------------|---------------------------------------|-----------------------------|------------------------------------|
| 2005   | \$9,500,000                     | \$595,000                             | -                           | \$595,000                          |
| 2009   | 7,975,000                       | 685,000                               | \$470,000                   | 215,000                            |
| 2010   | 17,190,000                      | 7,610,000                             | 6,340,000                   | 1,270,000                          |
| 2011   | 2,085,000                       | 1,870,000                             | -                           | 1,870,000                          |
| 2012   | 9,260,000                       | 7,435,000                             | -                           | 7,435,000                          |
| 2013   | <u>6,125,000</u>                | <u>5,995,000</u>                      | <u>-</u>                    | <u>5,995,000</u>                   |
| Total  | \$52,135,000                    | \$24,190,000                          | \$6,810,000                 | \$17,380,000                       |

### Payment of Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., the paying agent for the Refunded Bonds. The Bond Order provides that, from the proceeds of the sale of the Bonds and other lawfully available funds of the District, the District will deposit with the paying agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the paying agent for the Refunded Bonds in a segregated payment account (the "Payment Account").

At the time of delivery of the Bonds, Robert Thomas CPA, LLC will verify to the District, the paying agent for the Refunded Bonds, Bond Counsel, and Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the cash with the paying agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

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\* Preliminary; subject to change.

**Sources and Uses of Funds**

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

**SOURCES OF FUNDS:**

|                                     |  |
|-------------------------------------|--|
| Principal Amount of the Bonds.....  |  |
| Net Premium.....                    |  |
| Debt Service Fund Transfer .....    |  |
| Accrued Interest on the 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.....                              |  |

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to McCall, Parkhurst & Horton L.L.P., 600 Congress Avenue, Suite 1800, Austin, Texas 78701.

The Bonds are dated July 1, 2019, with interest payable on December 1, 2019, and each June 1 and December 1 thereafter (each an “Interest Payment Date”) until maturity. The Bonds are fully registered bonds maturing on June 1 of the years shown on the inside cover page of this Official Statement. The Bonds are not subject to redemption prior to maturity.

Principal of the Bonds will be payable to the registered owners of the Bonds (“Registered Owners”) at maturity upon presentation at the principal payment office of the paying agent/registrar, initially, Wells Fargo Bank, N. A. (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Record Date for Interest Payment**

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the “Record Date” (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are 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, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record

Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

### **No Redemption of the Bonds**

The Bonds are not subject to redemption prior to maturity.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee 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 and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under

the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

#### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar. 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 Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, 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 to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

#### **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

#### **Authority for Issuance**

Pursuant to the election held within the District on November 6, 2001, the District has previously issued \$37,000,000 of ad valorem tax bonds and has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds. Following the issuance of the Bonds, \$54,137,057\* of remaining voted authorization of refunding bonds will remain authorized but unissued. See “– Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Order, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001.

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\* Preliminary; subject to change.

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

The Bonds are payable from the proceeds of a continuing, direct ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the entirety District. In the Bond Order, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Williamson Central Appraisal District (the "Appraisal District"). Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds, any additional bonds payable from the proceeds of taxes levied upon the entirety of the District that the District may hereafter issue, and fees of the Paying Agent/Registrar. The pledge of taxes terminates when and if a city annexes and dissolves the District and assumes all debts and liabilities of the District. See "THE BONDS – Annexation."

The Bonds are obligations solely 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.

### **Payment Record**

The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.

### **Previously Issued and Remaining Outstanding Bonds**

The District has previously issued the following series of bonds: \$2,540,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1978 (the "Series 1978 Bonds"); \$1,000,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1981 (the "Series 1981 Bonds"); \$1,000,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1983 (the "Series 1983 Bonds"); \$6,100,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1988 (the "Series 1988 Bonds"); \$9,150,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1995 (the "Series 1995 Bonds"); \$3,700,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1996 (the "Series 1996 Bonds"); \$4,235,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1997 (the "Series 1997 Bonds"); \$27,500,000 Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"); \$3,285,000 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the "Series 2004 Bonds"); and \$9,500,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds").

In addition, the District issued the following series of bonds to refund a portion of previously outstanding bonds: \$7,579,998.25 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1994 (the "Series 1994 Refunding Bonds"); \$13,250,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue and Refunding Bonds, Series 2001 (the "Series 2001 Refunding Bonds"); \$3,245,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Refunding Bonds, Taxable Bonds, Series 2001 (the "Taxable Series 2001 Refunding Bonds"); \$7,840,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2007 (the "Series 2007 Refunding Bonds"); \$7,975,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 (the "Series 2009 Refunding Bonds"); \$17,190,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"); \$2,085,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"); \$9,260,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"); and \$6,125,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds").

Following the refunding of the Refunded Bonds, \$17,380,000\* in principal amount of bonds previously issued will remain outstanding (the "Remaining Outstanding Bonds" as previously defined herein).

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\* Preliminary; subject to change.



The District has also issued the following obligations, which are paid solely from revenues from operation of the District's utility systems: \$1,500,000 Brushy Creek Municipal Utility District Revenue Bonds, Series 2002, of which no principal amount of bonds remains outstanding and \$6,940,000 Brushy Creek Municipal Utility District Utility System Revenue Note, Series 2016, of which \$5,385,000 principal amount remains outstanding as of June 2, 2019 (the "Revenue Bonds").

The District has also previously issued six (6) series of unlimited tax bonds that are secured solely by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined), which, as of June 2, 2019, \$11,320,000 principal amount remains outstanding. Defined Area Bonds (herein defined) are payable solely from the proceeds of taxes levied upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the entire District, including the Defined Area. See "THE BONDS – Issuance of Additional Debt – *Defined Area*" and "DISTRICT DEBT – Estimated Overlapping Debt."

### **Funds**

The Bond Order confirms the District's fund (the "Debt Service Fund") for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds that the District may hereafter issue that are supported by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the entirety District. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund.

The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any of the District's other duly authorized bonds issued that are payable in whole or in part from the proceeds of taxes levied on taxable property located within all of the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable in whole or in part from taxes levied on taxable property located within all of the District, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The principal and interest due on the Refunded Bonds are to be paid on the redemption date of the Refunded Bonds, which is also the closing date of the Bonds, from funds to be deposited into the Payment Account. Bond Order provides that, from the proceeds of the sale of the Bonds and other lawfully available funds of the District, the District will deposit with the paying agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date.

### **Issuance of Additional Debt**

#### *General*

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality ("TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." Through various elections, the District's voters have authorized an aggregate of \$74,100,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the District. Currently, the District has \$2,100,000 principal amount of authorized but unissued bonds to finance a water supply project to serve all the land within the District.

Additionally, pursuant to the election proposition, the District has the voted authority to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election

proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds. After the issuance of the Bonds, the District will have \$54,137,054\* of remaining voted authorization for refunding bonds. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District if so authorized by the voters in the District and approved by the District and the TCEQ.

#### *Defined Area*

Pursuant to action taken by the Board of Directors of the District on December 13, 2001, and an election held on February 2, 2002, the District created the Sendero Springs and Cornerstone Defined Area, which encompasses approximately 416.683 acres within the boundaries of the District (the "Defined Area"). The Defined Area consists of two tracts, Sendero Springs, which is approximately 222.785 acres, and the Cornerstone Tract, which is approximately 193.898 acres.

As part of the election held on February 2, 2002, voters of the District authorized the District's issuance of \$24,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area and \$36,750,000 principal amount of unlimited tax bonds for the purpose of refunding of bonds issued for the Defined Area ("Defined Area Bonds"). To date, the District has issued six (6) series of unlimited tax bonds from such voted authorizations, of which \$11,320,000 principal amount remains outstanding as of June 2, 2019, and \$10,715,000 principal amount of unlimited tax bonds remains authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area and \$36,435,000 principal amount remains authorized but unissued for refunding purposes. According to the District's Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

Defined Area Bonds issued by the District are payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the District, including the Defined Area. See "DISTRICT DEBT - Estimated Overlapping Debt" and "- Estimated Overlapping Taxes."

#### **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

#### **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 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

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\* Preliminary; subject to change.

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

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

### **Specific Tax Covenants**

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated 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.

### **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any Registered Owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

### **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 not consolidate its water and wastewater system with any other district.

### **Annexation**

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas (the "City"). Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session, a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. A municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of June 1, 2019, the District had an estimated population of 17,127, thus triggering the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

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

### **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 does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will 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 (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

## **THE DISTRICT**

### **General**

The District, which was originally created as Williamson County Municipal Utility District No. 2, 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 TCEQ and is located entirely within the extraterritorial jurisdiction of the City 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 and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Effective September 13, 2003, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, 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. Under current State law, 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 TCEQ 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 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 District is located approximately 1.5 miles west of the City of Round Rock and 19 miles north of the City of Austin. The northern portion of the District lies south of FM 1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of Round Rock, and entirely within Williamson County and Round Rock Independent School District. Approximately 416.683 acres within the District 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**

- Board of Directors -

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

| <u>Name</u>     | <u>Title</u>                  | <u>Term Expires November</u> |
|-----------------|-------------------------------|------------------------------|
| Shean R. Dalton | President                     | 2022                         |
| Donna B. Parker | Vice President                | 2020                         |
| Kim Filiatrault | Secretary                     | 2022                         |
| Michael Tucker  | Assistant Secretary/Treasurer | 2020                         |
| Rebecca Tullos  | Treasurer                     | 2022                         |

- Consultants -

The District employs a general manager, chief financial officer, and 47 other full-time and 22 part-time office and field employees, as well as contracts for certain necessary services as follows:

**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, Mr. Larry Gaddes currently serves the District in this capacity under contract.

**Engineer** - The District's primary consulting engineer is MRB Group. Such firm serves as consulting engineer to eight other special districts.

**Auditor** - McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, audited the District's financial statements for the fiscal year ended September 30, 2018. See "APPENDIX A."

**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 McLean & Howard, LLP, Austin, Texas, as general counsel.

**Financial Advisor** - Robert W. Baird & Co. Incorporated, Houston, Texas serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is

contingent upon the sale and delivery of the Bonds. The Financial Advisor 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 that has been supplied or provided by third-parties.

- Special Consultants Related to Issuance of the Bonds -

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA, LLC will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the Bonds

**Investment Authority and Practices of the District**

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Acts, and in TexPool and Texas Class, which are public fund investment pools rated in the highest rating category by a nationally recognized rating service.

**STATUS OF DEVELOPMENT**

Development within the District in its original configuration began in the late 1970s. In 1983, a 1,485-acre tract of land was annexed. The current boundaries of the District contain approximately 2,270 non-contiguous acres including an area containing approximately 465 acres in the north portion (the “North”) of the District and approximately 1,745 acres in the south portion (the “South”) of the District.

**Current Residential and Commercial Development**

Development of lands within the District is substantially complete. Approximately 1,957 acres within the District have been developed primarily as several single-family residential subdivisions as well as multi-family residential, commercial and retail development.

The single-family subdivisions include Brushy Creek North, Sections One and Two; Sendero Springs, Sections One through Seven; Brushy Creek, Sections One through Six; Cat Hollow, Sections One, Three, Five, Seven, Nine, Thirteen, Five-A, One A, Sections A-1 through A-6, B, and Sections C1 and C2; The Meadows of Brushy Creek, Phase I through V; The Corners of Brushy Creek, Sections One through Three; The Woods of Brushy Creek, Sections I, II, III, IV V, VI, and VII; Brushy Creek Village, Sections One and Two; and Highland Horizon, Phase I and II. Such single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction.

Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools, three churches, a 9-acre reserve, 60 acres of parks, and 131 acres of greenbelts and flood plain. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land.

**Sendero Springs and Cornerstone Defined Area**

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area or property and do not generally and directly benefit the District as a whole. Before a plan relating to a defined area is adopted by the District and becomes effective, the District must hold a public hearing and an election within such defined area. Effective May 29, 2001, Hyland North Joint Venture, Hyland Joint Venture, Highland Three Hundred, Ltd., HRI Development Corporation (collectively, the “Defined Area Developers”) and the District entered into an “Agreement Regarding Bond

Funds, Impact Fees and Other Matters” pursuant to which the Defined Area Developers agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area encompassing approximately 417 acres to be generally known as Sendero Springs and Cornerstone Defined Area.

On December 13, 2001, the Board of Directors took action to proceed with the creation of the Sendero Springs and Cornerstone Defined Area (the “Defined Area”) within the boundaries of the District. The Defined Area consists of two tracts, Sendero Springs (approximately 223 acres) and Cornerstone (approximately 194 acres). Both tracts have been developed for single-family residential purposes. Approximately 365 acres (1,082 lots) have been developed as the various single-family subdivisions within the Defined Area. As of May of 2019, there were 1,082 completed homes.

On February 2, 2002, voters within the Defined Area authorized \$24,500,000 in Defined Area Bonds to finance the water, wastewater and drainage improvements within the Defined Area. Any bonds issued for the Defined Area will be payable solely from a tax levied with the boundaries of the Defined Area. The Defined Area has previously sold six series of bonds to benefit the Defined Area with \$11,320,000 in principal amount outstanding as of June 2, 2019. Currently, the Defined Area has \$10,715,000 principal amount of authorized but unissued bonds. In 2018, the District levied a debt tax rate of \$0.175 per \$100 of assessed valuation in the Defined Area in addition to the District’s \$0.46 per \$100 of assessed valuation District-wide tax rate. According to the District’s Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

Development within the Defined Area is complete and includes the development of Sendero Springs, Section One through Seven and Highland Horizon, Phase I and II.

## **THE DEVELOPERS**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed 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, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Description of the Developers**

Development in the District is substantially complete. Hyland Joint Venture (“HJV”) and Hyland North Joint Venture (“HNJV”) were the original developers within the District. 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 began developing lands within the District in 1978 and are collectively referred to herein 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 District, Highland, either directly or through related entities, also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and Marble Falls Ranch.



**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 its right to have its 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 purchasers of such land from each developer. See "TAXING PROCEDURES."

*[Remainder of this page intentionally left blank]*

**DISTRICT DEBT**

**General**

|  |                          |
|--|--------------------------|
| 2018 Taxable Assessed Valuation.....                               | \$2,089,546,784 (a)      |
| 2019 Preliminary Valuation.....                                    | \$2,207,794,437 (b)      |
| <b>Direct Debt:</b>  |                          |
| The Remaining Outstanding Bonds.....                               | \$ 17,380,000 *          |
| The Bonds.....   | <u>\$ 6,740,000</u> *    |
| Total.....   | \$ 24,120,000 *          |
| Estimated Overlapping Debt.....                                    | <u>\$ 88,344,831</u> (c) |
| Total Direct and Estimated Overlapping Debt.....                   | \$ 112,464,831 (c)*      |
| <b>Direct Debt Ratios:</b>   |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 1.15 %*                  |
| As a percentage of the 2019 Preliminary Valuation.....             | 1.09 %*                  |
| <b>Direct and Estimated Overlapping Debt Ratios:</b>               |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 5.38 %*                  |
| As a percentage of the 2019 Preliminary Valuation.....             | 5.09 %*                  |
| District Debt Service Fund Balance (as of March 31, 2019).....     | \$7,941,029 (d)          |
| Defined Area Debt Service Fund Balance (as of March 31, 2019)..... | \$2,422,720 (e)          |
| General Operating Fund Balance (as of March 31, 2019).....         | \$18,304,369             |
| <b>2018 Tax Rate per \$100 of Taxable Assessed Valuation</b>       |                          |
| Debt Service.....  | \$0.14 (f)               |
| Maintenance and Operation.....                                     | <u>\$0.32</u>            |
| Total.....   | \$0.46                   |

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- (a) Represents the taxable assessed valuation as of January 1, 2018, of all taxable property in the District, as certified by the Williamson Central Appraisal District ("WCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the WCAD. This preliminary value is subject to protest by the owners of taxable property in the District and is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by the WCAD. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Includes all \$11,320,000 principal amount of Defined Area Bonds (herein defined) outstanding as of June 2, 2019, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Amounts on deposit in this fund are reserved for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District.
- (e) Amounts on deposit in this fund are reserved for payment of debt service on Defined Area Bonds and may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds.
- (f) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, for payment of debt service on the Remaining Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds. See "DISTRICT DEBT – Estimated Overlapping Taxes."

\* Preliminary; subject to change.

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

| Taxing Jurisdiction                                | Outstanding Debt<br>June 2, 2019 | Overlapping |                       |
|--|----------------------------------|-------------|-----------------------|
|  |                                  | Percent     | Amount                |
| Williamson County                                  | \$ 826,249,942                   | 3.19%       | \$ 26,381,739         |
| Round Rock Independent School District             | 807,210,000                      | 5.78%       | 46,666,277            |
| Austin Community College District                  | 418,335,000                      | 0.95%       | 3,976,815             |
| Defined Area                                       | 11,320,000                       | 100.00%     | <u>11,320,000</u>     |
| Total Estimated Overlapping Debt .....             |                                  |             | \$ 88,344,831         |
| The District (a).....                              |                                  |             | <u>\$ 24,120,000*</u> |
| Total Direct & Estimated Overlapping Debt (a)..... |                                  |             | \$112,464,831*        |

(a) Includes the Remaining Outstanding Bonds and the Bonds.

\* Preliminary; subject to change.

### Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. 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 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 District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, 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 2018 tax rates levied by such jurisdictions on property within the District. 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.

| Taxing Jurisdiction                                     | 2018 Tax Rate     |
|---|-------------------|
| Williamson County                                       | \$0.419029        |
| Williamson County FM/RD                                 | 0.040000          |
| Williamson County Emergency Services District No. 2     | 0.100000          |
| Round Rock Independent School District                  | 1.304800          |
| Austin Community College District                       | 0.104800          |
| Upper Brushy Creek Water Control & Improvement District | 0.020000          |
| The District  | <u>0.460000</u>   |
| Total Tax Rate for District Not in Defined Area         | \$2.448629        |
| <br>  |                   |
| The Defined Area  | <u>\$0.175000</u> |
| Total Tax Rate for District Defined Area                | \$2.623629        |

### Debt Service Requirements

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

| Calendar<br>Year | Outstanding<br>Debt Service | Less: Refunded<br>Debt Service * | Plus: The Bonds    |                  | Total<br>Debt Service* |
|------------------|-----------------------------|----------------------------------|--------------------|------------------|------------------------|
|                  |                             |                                  | Principal*         | Interest*        |                        |
| 2019             | \$421,735                   | \$136,794                        | -                  | \$84,250         | \$303,869              |
| 2020             | 3,115,661                   | 273,588                          | \$20,000           | 201,900          | 3,063,973              |
| 2021             | 3,123,030                   | 1,792,444                        | 1,560,000          | 178,200          | 3,068,786              |
| 2022             | 3,126,311                   | 1,793,550                        | 1,610,000          | 130,650          | 3,073,411              |
| 2023             | 2,886,098                   | 1,547,200                        | 1,410,000          | 85,350           | 2,834,248              |
| 2024             | 2,939,572                   | 88,600                           | -                  | 64,200           | 2,915,172              |
| 2025             | 3,201,658                   | 338,500                          | 225,000            | 60,825           | 3,148,983              |
| 2026             | 3,202,185                   | 1,999,200                        | 1,915,000          | 28,725           | 3,146,710              |
| 2027             | 3,275,287                   | -                                | -                  | -                | 3,275,287              |
| 2028             | 3,284,079                   | -                                | -                  | -                | 3,284,079              |
| <b>Total</b>     | <b>\$28,575,615</b>         | <b>\$7,969,875</b>               | <b>\$6,740,000</b> | <b>\$834,100</b> | <b>\$28,179,840</b>    |

Estimated Average Annual Debt Service Requirement (2019–2028)..... \$2,817,984

Estimated Maximum Annual Debt Service Requirement (2028) ..... \$3,284,079

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\* Preliminary; subject to change.

## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and 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 District'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 operation and maintenance purposes. The Board levied a 2018 tax rate for debt service purposes of \$0.14 per \$100 of assessed valuation and \$0.32 per \$100 of assessed valuation for operation and maintenance purposes. In addition, for the 2018 tax year, the District levied a tax rate of \$0.175 per \$100 of assessed valuation, upon taxable property located in the Defined Area, for payment of debt service purposes. For residents of the Defined Area this tax rate is in addition to the District tax rate.

### Analysis of Tax Base

The following represents the type of property comprising the 2014-2018 tax rolls as certified by the Appraisal District.

| <u>Type of Property</u>               | 2018<br><u>Assessed Value</u> | 2017<br><u>Assessed Value</u> | 2016<br><u>Assessed Value</u> |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Single Family                         | \$1,800,055,570               | \$1,713,290,464               | \$1,551,841,937               |
| Multi Family                          | 150,685,331                   | 137,124,452                   | 132,630,229                   |
| Vacant Platted Lots/Tracts            | 13,701,425                    | 13,637,370                    | 17,960,815                    |
| Acreage (Land Only)                   | -                             | 10,723                        | 10,723                        |
| Farm and Ranch Improvement            | 10,723                        | -                             |                               |
| Commercial                            | 118,215,190                   | 102,106,646                   | 94,794,886                    |
| Real & Intangible Personal, Utilities | 10,527,800                    | 9,337,219                     | 9,338,706                     |
| Tangible Personal Business            | 25,272,197                    | 23,362,675                    | 11,516,158                    |
| Real Inventory                        | 405,000                       | 10,899,730                    | 29,018,275                    |
| Exempt                                | <u>(28,730,499)</u>           | <u>(41,215,545)</u>           | <u>(51,384,125)</u>           |
| Total                                 | \$2,090,142,737               | \$1,968,553,734               | \$1,795,727,604               |

| <u>Type of Property</u>               | 2015<br><u>Assessed Value</u> | 2014<br><u>Assessed Value</u> |
|---------------------------------------|-------------------------------|-------------------------------|
| Single Family                         | \$1,406,117,226               | \$1,265,711,823               |
| Multi Family                          | 121,422,859                   | 116,834,289                   |
| Vacant Platted Lots/Tracts            | 14,049,294                    | 19,968,214                    |
| Acreage (Land Only)                   | 9,904                         | 9,904                         |
| Commercial                            | 72,937,471                    | 63,805,898                    |
| Real & Intangible Personal, Utilities | 7,263,803                     | 6,588,699                     |
| Tangible Personal Business            | 5,944,528                     | 6,201,939                     |
| Real Inventory                        | 11,907,068                    | 13,677,224                    |
| Exempt                                | <u>2,510</u>                  | <u>-</u>                      |
| Total                                 | \$1,639,654,663               | \$1,492,797,990               |

**Historical Tax Collections**

| Tax Year | Assessed Valuation (a) | Tax Rate (b) | Adjusted Levy | Collections Current Year | Current Year Ended 9/30 |
|----------|------------------------|--------------|---------------|--------------------------|-------------------------|
| 2010     | \$1,106,704,060        | \$0.500      | \$5,533,520   | 99.93%                   | 2011                    |
| 2011     | 1,162,948,436          | 0.500        | 5,814,742     | 99.85                    | 2012                    |
| 2012     | 1,193,911,500          | 0.500        | 5,969,558     | 99.79                    | 2013                    |
| 2013     | 1,278,996,832          | 0.500        | 6,394,984     | 99.77                    | 2014                    |
| 2014     | 1,492,797,990          | 0.480        | 7,165,430     | 99.78                    | 2015                    |
| 2015     | 1,639,654,663          | 0.470        | 7,706,377     | 99.91                    | 2016                    |
| 2016     | 1,795,727,604          | 0.465        | 8,350,133     | 99.83                    | 2017                    |
| 2017     | 1,968,553,734          | 0.460        | 9,055,347     | 99.81                    | 2018                    |
| 2018     | 2,090,142,737          | 0.460        | 9,614,657     | 99.19 (c)                | 2019                    |

(a) Values may differ from the values listed elsewhere herein due to subsequent supplemental and correction rolls from WCAD.

(b) See "Tax Rate Distribution" below.

(c) For the 2018 tax year, represents collections through May 31, 2019.

**Tax Rate Distribution**

The following sets out the components of the District's tax rate for each of tax years 2013–2018. The tax rates set forth below include only those taxes levied by the District upon all taxable property in the District. See "THE DISTRICT – Sendero Springs and Cornerstone Defined Area" for discussion of additional taxes levied by the District upon taxable property located only in the Defined Area.

|              | 2018            | 2017            | 2016            | 2015            | 2014            | 2013            |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Debt Service | \$0.1400        | \$0.1600        | \$0.1700        | \$0.1900        | \$0.2500        | \$0.2500        |
| Maintenance  | <u>\$0.3200</u> | <u>\$0.3000</u> | <u>\$0.2950</u> | <u>\$0.2800</u> | <u>\$0.2300</u> | <u>\$0.2500</u> |
| Total        | \$0.4600        | \$0.4600        | \$0.4650        | \$0.4700        | \$0.4800        | \$0.5000        |

**Tax Rate Limitation**

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

**Maintenance Tax**

The Board of Directors of District has the statutory authority to levy and collect an 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 the Bonds, and any tax bonds which may be issued in the future. At an election held on April 2, 1983, voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a maintenance tax for 2018 of \$0.32 per \$100 of assessed valuation. The District is also authorized to levy a maintenance tax solely within the Sendero Springs and Cornerstone Defined Area; however, the District has not levied such maintenance tax since 2008.

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the Appraisal District's original certification of the appraisal rolls for the 2018 tax year. The values and percentages below are subject to adjustment due to supplemental certifications of the 2018 appraisal rolls by the Appraisal District.

| <u>Taxpayer</u>  | <u>Types of Property</u> | <u>Taxable Value<br/>2018 Tax Roll</u> |
|--|--------------------------|--|
| Landing at Round Rock Acquisition LLC                  | Land & Improvements      | \$89,491,083                           |
| CWS Brushy Creek LP                                    | Land & Improvements      | 51,781,360                             |
| IVQ Round Rock LP                                      | Land & Improvements      | 11,756,288                             |
| Highland 620 Land Investment Ltd                       | Land & Improvements      | 9,130,857                              |
| Barclay/Texas Holdings 6 LP                            | Land & Improvements      | 9,043,666                              |
| H. E. Butt Inc.  | Land & Improvements      | 8,393,221                              |
| Great American Storage Partners LLC                    | Land & Improvements      | 7,178,870                              |
| Atmos Energy/Mid-Tex Distribution                      | Land & Improvements      | 7,064,379                              |
| Homeowner  | Land & Improvements      | 6,897,002                              |
| MGP XXII LLC   | Land & Improvements      | <u>5,200,000</u>                       |
| Principal Taxpayers Total                              |                          | \$205,936,726                          |
| Principal Taxpayers Total as Percent of District Total |                          | 9.86%                                  |

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2018 (\$2,089,546,784), or the preliminary valuation as of January 1, 2019 (\$2,207,794,437). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

|  |             |
|--|-------------|
| Estimated Average Annual Debt Service Requirement (2019–2028).....                   | \$2,817,984 |
| Debt Service Tax Rate of \$0.15 on the 2018 Taxable Assessed Valuation produces..... | \$2,977,604 |
| Debt Service Tax Rate of \$0.14 on the 2019 Preliminary Valuation produces.....      | \$2,936,367 |

|  |             |
|--|-------------|
| Estimated Maximum Annual Debt Service Requirement (2028) .....                       | \$3,284,079 |
| Debt Service Tax Rate of \$0.17 on the 2018 Taxable Assessed Valuation produces..... | \$3,374,618 |
| Debt Service Tax Rate of \$0.16 on the 2019 Preliminary Valuation produces.....      | \$3,355,848 |

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from the proceeds of taxes levied upon all taxable property in the District that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

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

Title I of the Texas 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 a county and an appraisal

review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Williamson County, including the District. Such appraisal values will be subject to review and change by the Williamson County Appraisal Review Board (the "Appraisal Review Board"). The appraisal rolls, as approved by the Appraisal Review Board, will 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; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth development, or fraternal organizations; designated historical sites; travel trailers; and most individually owned automobiles. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. 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 on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty 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. 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. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. Furthermore, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but it must be adopted by July 1. The District has never adopted a general homestead exemption.

*Tax Abatement:* Williamson County and the District may enter into tax abatement agreements with owners of real property within such tax abatement 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.

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

#### **Valuation of Property for Taxation**

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

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

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

### **District and Taxpayer Remedies**

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that 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 that are higher than renditions and appraisals of property not previously on an appraisal roll.

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Under current law, 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.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as

“Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the previous year’s operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District’s adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

#### *The District*

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the state and each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal

property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the FDIC pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

## **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 TCEQ. 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") 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional River 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 certain of the Remaining Outstanding Bonds were used to finance and refinance the District's own water supply system which includes a 8.2 MGD water treatment plant, transmission line and related facilities. This water is delivered into Lake Georgetown by the Regional Project.

The District also owns five water wells with a capacity of about 1.7 MGD, three of which are active and are capable of producing 1.7 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 700,000-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 700,000 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 ("CORR") for wholesale wastewater service through the Brushy Creek Regional Wastewater System ("Regional System"). Development of the Cornerstone area will be served by gravity to the District's F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 to the Cornerstone area. The Regional System is owned by CORR, the City of Austin, and the City of Cedar Park and operated by the BRA for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District's contract with the CORR 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 receive service for 7,587 Living Unit Equivalent ("LUEs") and is currently serving approximately 6,650 LUEs.

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 is served by gravity wastewater lines in the District's wastewater collection system that connects to the Regional Wastewater System.

Development in Sendero Springs is served by gravity lines flowing into the Regional System. Development in Brushy Creek South is served by gravity lines flowing into existing District interceptor lines. Development of the Cornerstone area is served by the District's FM 620 lift station downstream (across FM 620 from the Cornerstone property), and the Cornerstone area is served by gravity to that lift station.

### **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.

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could result in various changes including higher insurance rates and stricter building codes for any property located within the expanded boundaries of the floodplain.

**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 charges 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 for Residential and Commercial\***

|   | <u>In District</u> | <u>Out of District</u> |
|---|--------------------|------------------------|
| Minimum Monthly Charge.....                               | \$14.50            | \$39.14                |
| Per 1,000 Gallons Used (Off Peak Rates; October–May)..... | \$2.17 Per Gallon  | \$2.17 Per Gallon      |
| Per 1,000 Gallons Used (Peak Rates; June–September) ..... | \$2.85 Per Gallon  | \$2.85 Per Gallon      |

**Sewer Monthly Billings for Residential and Commercial\***

|   | <u>In District</u> | <u>Out of District</u> |
|---|--------------------|------------------------|
| Minimum Monthly Charge.....                                 | \$6.00             | \$12.00                |
| Per 1,000 Gallons Used (Based on Water Used Nov.–Feb.)..... | \$2.70 Per Gallon  | \$10.80 Per Gallon     |

**Tap Fees**

|                  |         |
|------------------|---------|
| Water:           |         |
| Residential..... | \$220   |
| Sewer:           |         |
| Residential..... | \$60    |
| Impact Fees      |         |
| Water .....      | \$2,095 |
| Wastewater ..... | \$1,804 |

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\* The minimum charges for commercial customers for water and sewer service are based on water meter sizes and LUEs.

**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 |                     |                     |                     |                     |
|---|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2018                           | 2017                | 2016                | 2015                | 2014                |
| <u>Revenues</u>   |                                |                     |                     |                     |                     |
| Water and Wastewater Service  | \$5,385,725                    | \$5,215,431         | \$5,226,780         | \$5,082,059         | \$5,077,406         |
| Garbage Collection  | 1,385,486                      | 1,369,168           | 1,345,290           | 1,186,768           | 1,155,136           |
| Inspection Fees   | 27,685                         | 60,520              | 77,282              | 77,689              | 120,202             |
| Tap and Other Connection Fees   | 3,074                          | 47,079              | 131,136             | 214,462             | 175,272             |
| Park and Recreation Center Fees   | 1,673,060                      | 1,546,489           | 1,506,143           | 1,499,289           | 1,222,387           |
| Property Taxes  | 5,903,594                      | 5,281,267           | 4,523,775           | 3,653,155           | 3,203,128           |
| Investment Earnings   | 284,545                        | 97,894              | 64,748              | 38,318              | 26,043              |
| Other   | 256,933                        | 219,957             | 153,096             | 233,971             | 231,349             |
| Contributed Capital Assets  | -                              | 1,710               | 19,275              | -                   | -                   |
| <b>Total Revenues</b>   | <b>\$14,920,102</b>            | <b>\$13,839,515</b> | <b>\$13,047,525</b> | <b>\$11,985,711</b> | <b>\$11,210,923</b> |
| <u>Expenditures</u>   |                                |                     |                     |                     |                     |
| Current   |                                |                     |                     |                     |                     |
| Personnel (Including Benefits)  | \$4,261,308                    | \$3,908,287         | \$3,612,231         | \$3,281,080         | \$3,088,208         |
| Purchased Services for Resale   | 2,586,690                      | 2,450,527           | 2,811,709           | 2,479,761           | 2,496,818           |
| Administrative  | 1,047,338                      | 971,001             | 887,623             | 984,333             | 1,173,831           |
| Repairs and Maintenance   | 876,860                        | 1,122,722           | 989,729             | 907,746             | 656,193             |
| Utilities   | 624,474                        | 536,614             | 551,664             | 571,664             | 589,144             |
| Professional Services   | 564,091                        | 561,744             | 497,795             | 376,133             | 452,731             |
| Contracted Services   | 190,618                        | 378,744             | 233,267             | 366,192             | 383,313             |
| Capital Outlay  | 2,300,762                      | 1,865,489           | 3,025,806           | 2,466,902           | 1,457,914           |
| Principal Payments  | 405,000                        | 395,000             | 335,000             | 374,934             | 85,731              |
| Interest and Fiscal Charges   | 163,323                        | 173,711             | 69,460              | 25,943              | 25,080              |
| <b>Total Expenditures</b>   | <b>\$13,020,464</b>            | <b>\$12,363,839</b> | <b>\$13,014,284</b> | <b>\$11,834,688</b> | <b>\$10,408,963</b> |
| Excess of Revenues  | \$1,899,638                    | \$1,475,676         | \$33,241            | \$151,023           | \$801,960           |
| Other Financing Sources   | \$32,303                       | -                   | -                   | \$180,400           | \$49,998            |
| <b>Net Change in Fund Balance</b>                                       | <b>\$1,931,941</b>             | <b>\$1,475,676</b>  | <b>\$33,241</b>     | <b>\$331,423</b>    | <b>\$851,958</b>    |
| Active Retail Water Connections   | 5,683                          | 5,673               | 5,574               | 5,699               | 5,628               |
| Active Retail Wastewater Connections                                    | 5,592                          | 5,615               | 5,463               | 5,490               | 5,403               |
| District Debt Service Fund Balance (as of September 30, 2018) .....     |                                |                     |                     |                     | \$2,946,858         |
| Defined Area Debt Service Fund Balance (as of September 30, 2018) ..... |                                |                     |                     |                     | \$1,772,558         |
| General Operating Fund Balance (as of September 30, 2018) .....         |                                |                     |                     |                     | \$18,304,370        |

## INVESTMENT CONSIDERATIONS

### General

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

### Factors Affecting Taxable Values and Tax Payments

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

Interest rate levels and the general availability of credit may affect the ability of potential homeowners to obtain mortgages and purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District.

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

*Impact on District Tax Rates:* Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2018, of all taxable property located within the District is \$2,089,546,784, and the preliminary valuation as of January 1, 2019, is \$2,207,794,437. After issuance of the Bonds, the estimated maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2028) is \$3,284,079, and the estimated average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2019–2028) is \$2,817,984.

Assuming no decrease to the District's taxable assessed valuation as of January 1, 2018, debt service tax rates of \$0.17 and \$0.15 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease to the District's preliminary valuation as of January 1, 2019, debt service tax rates of \$0.16 and \$0.14 per \$100 of assessed valuation at a 95% tax



collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

### **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.

### **Limitation to Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

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

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally 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 has 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 TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right 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, enters an order granting relief from the stay or 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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. A district cannot be placed into bankruptcy involuntarily.

### **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**

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

### **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$2,100,000 authorized but unissued bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, revenue bonds or notes, special project bonds, refunding bonds, and other obligations described in the Bond Order. All of the remaining \$2,100,000 bonds which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the TCEQ.

Pursuant to an election held in the District on September 6, 2001, the District has the authority to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds.

After the issuance of the Bonds, the District will have \$54,137,054<sup>\*</sup> of remaining voted authorization for refunding bonds. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

In addition, the District may hereafter issue the \$10,715,000 principal amount of unlimited tax bonds that remain authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area as well as the \$36,435,000 principal amount of authorized but unissued bonds available for the refunding of bonds issued for the Defined Area. According to the District's Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

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

### **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.

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<sup>\*</sup> Preliminary; subject to change.

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

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

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Environmental Regulation**

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

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

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

*Air Quality Issues.* The Federal Clean Air Act ("CAA") requires the United States Environmental Protection Agency (the "EPA") to adopt and periodically revise national ambient air quality standards ("NAAQS") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so-called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

In 1997, the EPA adopted the “8-hour” ozone standard of 80 parts per billion (“ppb”) (the “1997 Ozone Standard”) to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the “2008 Ozone Standard”). The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin Area”), was not designated “nonattainment” under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the Austin Area as “attainment” under the 2015 Ozone Standards, which became effective on August 3, 2018.

Should the Austin Area fail to achieve EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of nonattainment/conformity analysis, the status of the EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the near future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial and residential development in the Austin Area.

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quality of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and

could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and USACE released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR, and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the CWR in its entirety and to reinstate regulations in place before the adoption of the CWR while the agencies developed a revised definition. Meanwhile, in January 2018, the EPA and USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas issued a preliminary injunction on CWR implementation in Texas, Louisiana, and Mississippi pending resolution of an ongoing case challenging the CWR. On May 28, 2019, the U.S. District Court for the Southern District of Texas concluded that the promulgation of the CWR violated the Administrative Procedures Act and remanded it for agency reconsideration. Pending proceedings on remand, the Court also ordered the preliminary injunction issued in September 2018 to remain in place. Accordingly, under such ruling, the CWR is not currently in effect for the states of Texas, Louisiana, and Mississippi.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed definition also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies have taken comments on the proposed rules, which were published in the Federal Register on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is substantial uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, would potentially be subject to additional restrictions and requirements, including permitting requirements.

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

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District

will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B – Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING – Payment of Refunded Bonds," "THE BONDS" (except for the subcaption "Book-Entry-Only System"), "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel.

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

#### **No-Litigation Certificate**

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

### **TAX MATTERS**

#### **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 Bond Counsel Opinion."

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the 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 (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

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

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, 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 RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

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

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

#### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payment of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.



### **Not Qualified Tax-Exempt Obligations for Financial Institutions**

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

The District will not designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except Estimated Overlapping Debt), "TAX DATA," "THE SYSTEM - Water and Wastewater Operations," "WATERWORKS AND SEWER SYSTEM OPERATION STATEMENT" and "APPENDIX A." The District will update and provide this information to EMMA within six months after the end of each fiscal year ending in or after 2019. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents on the EMMA system, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such twelve month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment

delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if 60 material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

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

For these purposes, (A) any event describe in clause (12) in the immediately preceding paragraph 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. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule. The District intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information from MSRB**

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

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

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of 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 registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

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

#### **Compliance with Prior Undertakings**

On February 8, 2016, S&P Global Ratings ("S&P") upgraded the underlying rating on the District's Defined Area Bonds from BBB+ to A-. An event notice for the upgrade was not filed. However, on November 29, 2018, S&P further upgraded the underlying rating on the District's Defined Area Bonds from A- to A, and such event notice was timely filed with EMMA on November 30, 2018.

Except as indicated above, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

#### **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 amounts 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. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Robert Thomas CPA, LLC 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.

#### **OFFICIAL STATEMENT**

##### **Sources and Compilation of Information**

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

## **Experts**

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

**Engineer:** The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the District, and has been included in reliance upon their authority as an expert in the field of civil engineering.

**Appraisal District:** The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the 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 Mr. Larry Gaddes in reliance upon his authority as an expert in the field of tax assessing and collecting.

## **Updating of Official Statement**

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

## **Certification as to Official Statement**

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

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

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

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

## **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 cover page hereof.

---

Shean R. Dalton  
President, Board of Directors  
Brushy Creek Municipal Utility District

ATTEST:

---

Kim Filiatrault  
Secretary, Board of Directors  
Brushy Creek Municipal Utility District

**APPENDIX A**  
**Financial Statements of the District**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT**

**WILLIAMSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

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**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF WILLIAMSON

I, SHEAN DALTON of the  
(Name of Duly Authorized District Representative)

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**  
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 24th day of January, 2019, its annual audit report for the fiscal year ended September 30, 2018 and that copies of the annual audit report have been filed in the District's office, located at:

16318 Great Oaks Drive  
Round Rock, Texas 78681  
(Address of District's Office)

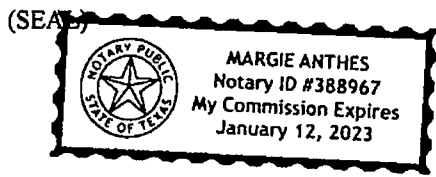
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: JANUARY 24, 2019 By: [Signature]  
(Signature of District Representative)

SHEAN DALTON, Board President  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 24th day of JANUARY, 2019.

[Signature]  
(Signature of Notary)



MARGIE ANTHES  
(Printed Name of Notary)

My Commission Expires On: JAN 12, 2023  
Notary Public in the State of Texas

# **INDEPENDENT AUDITOR'S REPORT**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

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Houston, Texas 77065-5610  
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Austin, Texas 78759  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Brushy Creek Municipal  
Utility District  
Williamson County, Texas

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, 2018, 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 District'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.

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Brushy Creek Municipal  
Utility District

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District Contributions and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Austin, Texas

January 24, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis of Brushy Creek Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018.

**USING THIS ANNUAL REPORT**

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 Statement of Revenues, Expenditures, and Changes in Fund Balances
  - Notes to the Financial Statements

This report also includes required supplementary information and other supplementary information.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund and the schedule of changes in net pension liability and related ratios as well as the schedule of District contributions is included as RSI. There is also Supplementary Information Required by the Water District Financial Management Guide and Other Supplementary Information related to property taxes.



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,277,587 as of September 30, 2018. Of this amount, \$17,908,896 (unrestricted net position) may be used to meet the District's ongoing obligations.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities, as well as land, construction in progress, buildings, and furniture, fixtures and equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide various services to District residents.

The following is a comparative analysis of government-wide changes in net position:

|  | Summary of Changes in the Statement of Net Position |                      |                                  |
|--|---|----------------------|----------------------------------|
|  | 2018  | 2017                 | Change<br>Positive<br>(Negative) |
| Current and Other Assets                         | \$ 27,244,154                                       | \$ 25,879,153        | \$ 1,365,001                     |
| Capital Assets (Net of Accumulated Depreciation) | <u>55,411,762</u>                                   | <u>56,122,768</u>    | <u>(711,006)</u>                 |
| Total Assets                                     | <u>\$ 82,655,916</u>                                | <u>\$ 82,001,921</u> | <u>\$ 653,995</u>                |
| Deferred Outflows of Resources                   | <u>\$ 322,439</u>                                   | <u>\$ 529,611</u>    | <u>\$ (207,172)</u>              |
| Current Liabilities                              | \$ 5,218,794  | \$ 6,111,926         | \$ 893,132                       |
| Long -Term Liabilities                           | <u>42,438,257</u>                                   | <u>45,667,002</u>    | <u>3,228,745</u>                 |
| Total Liabilities                                | <u>\$ 47,657,051</u>                                | <u>\$ 51,778,928</u> | <u>\$ 4,121,877</u>              |
| Deferred Inflows of Resources                    | <u>\$ 43,717</u>                                    | <u>\$ 59,326</u>     | <u>\$ 15,609</u>                 |
| Net Position:                                    |   |                      |                                  |
| Net Investment in Capital Assets                 | \$ 12,316,369                                       | \$ 10,431,897        | \$ 1,884,472                     |
| Restricted                                       | 5,052,322   | 4,458,007            | 594,315                          |
| Unrestricted                                     | <u>17,908,896</u>                                   | <u>15,803,374</u>    | <u>2,105,522</u>                 |
| Total Net Position                               | <u>\$ 35,277,587</u>                                | <u>\$ 30,693,278</u> | <u>\$ 4,584,309</u>              |

The District's total assets were approximately \$82.7 million as of September 30, 2018. Of this amount, approximately \$55.4 million was accounted for by capital assets. The District had outstanding liabilities of approximately \$47.7 million of which approximately \$45.6 million represents bonds payable.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the District's operations for the years ended September 30, 2018, and September 30, 2017. The District's net position increased by \$4,584,309.

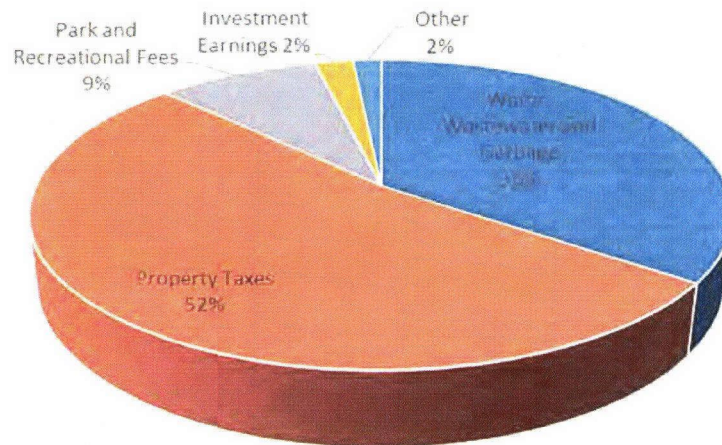
|                                       | Summary of Changes in the Statement of Activities |                      |                                  |
|---------------------------------------|---|----------------------|----------------------------------|
|                                       | 2018  | 2017                 | Change<br>Positive<br>(Negative) |
| Revenues:                             |   |                      |                                  |
| Water, Wastewater and Garbage         | \$ 6,771,211                                      | \$ 6,584,599         | \$ 186,612                       |
| Property Taxes                        | 9,928,287   | 9,204,401            | 723,886                          |
| Park and Recreational Fees            | 1,673,060   | 1,546,489            | 126,571                          |
| Investment Earnings                   | 396,731   | 220,999              | 175,732                          |
| Contributed Assets                    | 1,932   | 1,710                | 222                              |
| Other                                 | 295,508   | 427,668              | (132,160)                        |
| Total Revenues                        | <u>19,066,729</u>                                 | <u>17,985,866</u>    | 1,080,863                        |
| Expenses:                             |   |                      |                                  |
| Water, Wastewater and Garbage         | 2,586,690   | 2,450,527            | (136,163)                        |
| Salary and Related Expenditures       | 4,213,953   | 3,980,555            | (233,398)                        |
| Administrative                        | 1,021,688   | 943,326              | (78,362)                         |
| Repairs and Maintenance               | 876,860   | 1,122,722            | 245,862                          |
| Utilities                             | 624,474   | 536,614              | (87,860)                         |
| Professional Fees                     | 286,027   | 269,419              | (16,608)                         |
| Contracted Services                   | 197,193   | 378,744              | 181,551                          |
| Other                                 | 342,184   | 356,166              | 13,982                           |
| Debt Service                          | 1,304,110   | 1,657,671            | 353,561                          |
| Depreciation                          | <u>3,061,544</u>                                  | <u>2,746,605</u>     | <u>(314,939)</u>                 |
| Total Expenses                        | <u>14,514,723</u>                                 | <u>14,442,349</u>    | <u>(72,374)</u>                  |
| Gain (Loss) on Sale of Capital Assets | <u>32,303</u>                                     | <u>(145,014)</u>     | <u>177,317</u>                   |
| Change in Net Position                | \$ 4,584,309                                      | \$ 3,398,503         | \$ 1,185,806                     |
| Net Position, Beginning of Year       | <u>30,693,278</u>                                 | <u>27,294,775</u>    | <u>3,398,503</u>                 |
| Net Position, End of Year             | <u>\$ 35,277,587</u>                              | <u>\$ 30,693,278</u> | <u>\$ 4,584,309</u>              |

The District's net property tax values increased by approximately \$ 172.8 million or 10% from \$1,795,727,604 to \$1,968,553,734 for District-wide and approximately \$62.1 million or 16% from \$390,949,120 to \$452,999,890 for the Defined Area. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District-wide and Defined Area rates decreased from \$0.465 to \$0.460 and \$0.225 to \$0.190, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$724,000 year-over-year. The District increased water rates by 3.5% effective March 1, 2018.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The District's main revenue sources are property taxes, utility services, and recreational fees.



**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Cash and Cash Equivalents   | \$ 1,433,228         | \$ 2,286,070         |
| Investments   | 24,703,958           | 22,565,304           |
| Receivables   | 713,441              | 712,214              |
| Interfund Receivables   | 1,012,061            | 2,657,628            |
| Prepays and Other Assets  | 52,395               | 228,421              |
| <b>Total Assets</b>   | <b>\$ 27,915,083</b> | <b>\$ 28,449,637</b> |
| Accounts Payable  | \$ 424,848           | \$ 837,426           |
| Refundable Deposits   | 663,189              | 666,118              |
| Other Liabilities   | 186,839              | 169,160              |
| Intefund Payables   | 1,012,061            | 2,657,628            |
| Unearned Revenue  | 129,643              | 87,003               |
| Retainage Payable   | 110,550              | 516,151              |
| <b>Total Liabilities</b>  | <b>2,527,130</b>     | <b>4,933,486</b>     |
| Deferred Inflows of Resources -   |                      |                      |
| Property Taxes  | 59,589               | 43,097               |
| Nonspendable  | 48,173               | 61,344               |
| Restricted  | 7,845,744            | 8,009,508            |
| Committed   | 5,703,709            | 4,587,522            |
| Unassigned  | 11,730,738           | 10,814,680           |
| <b>Total Fund Balance</b>   | <b>25,328,364</b>    | <b>23,473,054</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 27,915,083</b> | <b>\$ 28,449,637</b> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS (Continued)**

The District's combined fund balances as of September 30, 2018, were \$25,328,364, an increase of \$1,855,310 from the prior year.

The General Fund fund balance increased by \$1,931,941, primarily due to revenues and proceeds from the sale of capital assets exceeding budget by \$592,947 and \$32,303, respectively, and the expenses ending the year under budget by \$1,085,657. The *General Fund* pays for daily operating expenditures. The increase in revenues was seen equally in utilities, investments, recreation, fees, and services. Growth in recreation revenue was driven by increased membership. New development growth has slowed due to the District reaching near build out status which resulted in lower builder fees. There are no further developments that will be contributed to the District. Investment income continues to improve due to the improving economic conditions.

The Board committed \$5,703,709 of General Fund fund balance for specific future projects, of which most are expected to occur in fiscal year 2019. This is a \$1.12 million increase from the amount of projects committed at the end of fiscal year 2017. In addition to these committed funds, the Board of Directors has approved a resolution to set aside \$6,919,757 for a 6-month Operating Reserve and \$2,874,312 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The Debt Service Fund fund balance increased by \$441,620, primarily due to a transfer of capital recovery funds from the Capital Projects Fund to early redeem a portion of the District's Series 2009 bonds subsequent to year end.

The Capital Projects Fund fund balance decreased by \$518,251, primarily due to the transfer of capital recovery funds to the Debt Service Fund to early redeem a portion of the District's Series 2009 bonds subsequent to year end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In compliance with governmental accounting principles, the Board of Directors adopted an unappropriated budget for the General Fund during the current fiscal year, which was amended during the year. Actual revenues were \$592,947 more than budgeted revenues primarily from greater than expected service revenues and investment earnings. Actual expenditures were \$1,085,657 less than budgeted expenditures primarily from lower than expected capital outlay, water and wastewater purchases and contracted services. The District also had unbudgeted proceeds from disposal of assets of \$32,303.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSETS**

Capital assets as of September 30, 2018, totaled \$55,411,762 (net of accumulated depreciation). These capital assets include land, construction in progress, buildings, furniture, fixtures, and equipment, park and recreational facilities as well as the water, wastewater and drainage systems.

| Capital Assets At Year-End, Net of Accumulated Depreciation |                      |                      |                                  |
|---|----------------------|----------------------|----------------------------------|
|   | 2018                 | 2017                 | Change<br>Positive<br>(Negative) |
| Capital Assets:   |                      |                      |                                  |
| Depreciation:   |                      |                      |                                  |
| Land  | 3,211,879            | 3,211,879            |                                  |
| Construction in Process                                     | 607,160              | 964,979              | (357,819)                        |
| Waster, Wastewater and Drainage<br>Systems                  | 84,770,886           | 84,804,820           | (33,934)                         |
| Easements and Rights-of-Way                                 | 901,890              | 901,890              |                                  |
| Buildings and Improvements                                  | 12,206,015           | 6,410,050            | 5,795,965                        |
| Furniture and Equipment                                     | 1,226,387            | 1,116,986            | 109,401                          |
| Parks and Recreational Facilities                           | 8,500,331            | 12,232,384           | (3,732,053)                      |
| Automobiles and Trucks                                      | 496,840              | 496,840              |                                  |
| Accumulated Depreciation                                    | (56,509,626)         | (54,017,060)         | (2,492,566)                      |
| <b>Total Net Capital Assets</b>                             | <b>\$ 55,411,762</b> | <b>\$ 56,122,768</b> | <b>\$ (711,006)</b>              |

The last infrastructure acquired from a developer occurred in fiscal year 2015. There are no future acquisitions from a developer planned.

Four new park projects that were started in fiscal year 2017 were completed in fiscal year 2018: the \$400,000 Sendero Springs trail improvements and the \$750,000 playground improvements in Sendero Valley Park, Pepper Rock Park, and Highland Horizon Park. Design began for the replacement of the Community Park Play Ground and park sign at Cat Hollow Park. The design plans for the Cat Hollow Park restroom expansion were completed and will be bid in fiscal year 2019.

The District completed the construction of Ground Well #6 in 2018 and received approval from the Texas Commission on Environmental Quality to activate the well on December 2, 2018. This \$500,000 project is expected to add over a million gallons a day to the District's raw water supply.

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**LONG-TERM DEBT ACTIVITY**

At year-end, the District had total bond debt payable of \$44,520,000. The long-term debt of the District consisted of the following during the fiscal year ended September 30, 2018 and 2017, respectively:

|                             | 2018          | 2017          |
|-----------------------------|---------------|---------------|
| District-wide:              |               |               |
| Series 2005 Bonds           | \$ 1,165,000  | \$ 1,165,000  |
| Series 2009 Refunding Bonds | 1,405,000     | 1,600,000     |
| Series 2010 Refunding Bonds | 8,825,000     | 9,995,000     |
| Series 2011 Refunding Bonds | 2,045,000     | 2,055,000     |
| Series 2012 Refunding Bonds | 7,475,000     | 8,230,000     |
| Series 2013 Refunding Bonds | 6,010,000     | 6,025,000     |
| Series 2016 Revenue Note    | 5,805,000     | 6,210,000     |
| Total District-wide         | 32,730,000    | 35,280,000    |
| Defined Area:               |               |               |
| Series 2009 Bonds           | 155,000       | 225,000       |
| Series 2011 Bonds           | 1,950,000     | 2,030,000     |
| Series 2013 Bonds           | 3,070,000     | 3,165,000     |
| Series 2015 Refunding Bonds | 3,360,000     | 3,475,000     |
| Series 2015 Bonds           | 3,255,000     | 3,355,000     |
| Total Defined Area          | 11,790,000    | 12,250,000    |
| Total                       | \$ 44,520,000 | \$ 47,530,000 |

The District's district-wide and defined area bonds have the following future payment requirements:

| District-wide: |               |              |                   |
|----------------|---------------|--------------|-------------------|
| Fiscal Year    | Principal     | Interest     | Total Requirement |
| 2019           | \$ 2,645,000  | \$ 1,096,722 | \$ 3,741,722      |
| 2020           | 2,745,000     | 1,008,378    | 3,753,378         |
| 2021           | 2,850,000     | 911,449      | 3,761,449         |
| 2022           | 2,955,000     | 810,235      | 3,765,235         |
| 2023           | 3,065,000     | 704,604      | 3,769,604         |
| 2024-2028      | 17,375,000    | 1,898,854    | 19,273,854        |
| 2029-2030      | 1,095,000     | 43,391       | 1,138,391         |
|                | \$ 32,730,000 | \$ 6,473,633 | \$ 39,203,633     |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**LONG-TERM DEBT ACTIVITY (Continued)**

| Defined Area: |               |              |                   |
|---------------|---------------|--------------|-------------------|
| Fiscal Year   | Principal     | Interest     | Total Requirement |
| 2019          | \$ 470,000    | \$ 450,438   | \$ 920,438        |
| 2020          | 495,000       | 436,326      | 931,326           |
| 2021          | 510,000       | 420,076      | 930,076           |
| 2022          | 535,000       | 403,926      | 938,926           |
| 2023          | 555,000       | 386,701      | 941,701           |
| 2024-2028     | 3,125,000     | 1,634,085    | 4,759,085         |
| 2029-2033     | 3,830,000     | 986,357      | 4,816,357         |
| 2034-2038     | 2,045,000     | 316,249      | 2,361,249         |
| 2039          | 225,000       | 8,442        | 233,442           |
|               | \$ 11,790,000 | \$ 5,042,600 | \$ 16,832,600     |

The District's Series 2005, Series 2009 Refunding, Series 2010 Refunding, Series 2012 Refunding, and Series 2013 Refunding carry an underlying rating of "AA-". The District's other bonds are not rated. The Series 2005 and Series 2010 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The ratings above are based on rating at September 30, 2018.

More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The amount of assessed value of property within the District-wide area for the 2018 tax year (September 30, 2019 fiscal year) is approximately \$2.1 billion and the tax rate levied was \$0.46 per \$100 of assessed valuation consisting of \$0.32 per \$100 of assessed valuation for maintenance and operations and \$0.14 per \$100 of assessed valuation for debt service. The amount of assessed value of property within the Defined Area for the 2018 tax year is approximately \$494 million and the tax rate levied was \$0.175 per \$100 of assessed valuation for debt service.

The adopted budget for fiscal year 2019 projects a General Fund balance increase of \$306,741.

Construction of homes in the last residential development in the District completed in 2017. As the District reached residential build out, the last remaining commercial properties are also being developed in the RR 620 corridor. All commercial property in the FM 1431 corridor has been developed. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)**

In January 2017, the District sold the Brushy Bend water system. This sale will only slightly reduce overall water revenues because the purchaser is now buying water from the District under a wholesale contract. The sale of the system will reduce operating costs as District staff are no longer maintaining the system.

Effective March 1, 2018 the District increased water rates by 3.5%. The increase was approved following completion of a rate study by an independent contractor. This was the first water rate increase since 2004.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brushy Creek Municipal Utility District, 16318 Great Oaks Drive, Round Rock, Texas 78681.



# FINANCIAL STATEMENTS

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2018**

|  | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments          | Statement of<br>Net Position |
|--|----------------------|----------------------|--------------------------|----------------------|----------------------|------------------------------|
| <b>ASSETS</b>  |                      |                      |                          |                      |                      |                              |
| Cash and Investments:  |                      |                      |                          |                      |                      |                              |
| Cash   | \$ 905,782           | \$ 9,186             | \$                       | \$ 914,968           | \$                   | \$ 914,968                   |
| Investments  | 16,657,699           | 4,658,994            | 2,717,766                | 24,034,459           |                      | 24,034,459                   |
| Cash with Paying Agent   |                      | 518,260              |                          | 518,260              |                      | 518,260                      |
| Receivables:   |                      |                      |                          |                      |                      |                              |
| Service Accounts (Net of Allowance for<br>Uncollectible Accounts of \$120,616) | 640,504              |                      |                          | 640,504              |                      | 640,504                      |
| Taxes  | 32,154               | 27,435               |                          | 59,589               |                      | 59,589                       |
| Other  | 13,348               |                      |                          | 13,348               |                      | 13,348                       |
| Due from Other Funds   | 884,434              |                      | 127,627                  | 1,012,061            | (1,012,061)          |                              |
| Prepaid Items  | 48,173               | 3,969                | 253                      | 52,395               |                      | 52,395                       |
| Investments Held for Customer Deposits   | 669,499              |                      |                          | 669,499              |                      | 669,499                      |
| Net Pension Asset  |                      |                      |                          |                      | 341,132              | 341,132                      |
| Capital Assets (Net of Accumulated<br>Depreciation):                           |                      |                      |                          |                      |                      |                              |
| Land   |                      |                      |                          |                      | 3,211,879            | 3,211,879                    |
| Construction in Progress   |                      |                      |                          |                      | 607,160              | 607,160                      |
| Water, Wastewater and Drainage Systems   |                      |                      |                          |                      | 35,191,564           | 35,191,564                   |
| Easements and Rights-of-Way  |                      |                      |                          |                      | 584,671              | 584,671                      |
| Building and Improvements  |                      |                      |                          |                      | 10,022,910           | 10,022,910                   |
| Furniture and Equipment  |                      |                      |                          |                      | 850,496              | 850,496                      |
| Park and Recreational Facilities   |                      |                      |                          |                      | 4,776,044            | 4,776,044                    |
| Automobiles and Trucks   |                      |                      |                          |                      | 167,038              | 167,038                      |
| <b>TOTAL ASSETS</b>  | <b>\$ 19,851,593</b> | <b>\$ 5,217,844</b>  | <b>\$ 2,845,646</b>      | <b>\$ 27,915,083</b> | <b>\$ 54,740,833</b> | <b>\$ 82,655,916</b>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                      |                      |                          |                      |                      |                              |
| Deferred Charges on Refunding Bonds  | \$                   | \$                   | \$                       | \$                   | \$ 152,728           | \$ 152,728                   |
| Pension  |                      |                      |                          |                      | 169,711              | 169,711                      |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>RESOURCES</b>                                | <b>\$ -0-</b>        | <b>\$ -0-</b>        | <b>\$ -0-</b>            | <b>\$ -0-</b>        | <b>\$ 322,439</b>    | <b>\$ 322,439</b>            |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>                     | <b>\$ 19,851,593</b> | <b>\$ 5,217,844</b>  | <b>\$ 2,845,646</b>      | <b>\$ 27,915,083</b> | <b>\$ 55,063,272</b> | <b>\$ 82,978,355</b>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET - Continued  
SEPTEMBER 30, 2018**

|   | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments            | Statement of<br>Net Position |
|---|----------------------|----------------------|--------------------------|----------------------|------------------------|------------------------------|
| <b>LIABILITIES</b>  |                      |                      |                          |                      |                        |                              |
| Current Liabilities:  |                      |                      |                          |                      |                        |                              |
| Accounts Payable  | \$ 424,848           | \$                   | \$                       | \$ 424,848           | \$                     | \$ 424,848                   |
| Retainage Payable   | 110,550              |                      |                          | 110,550              |                        | 110,550                      |
| Customer Deposits   | 663,189              |                      |                          | 663,189              |                        | 663,189                      |
| Other Liabilities   | 186,839              |                      |                          | 186,839              |                        | 186,839                      |
| Due to Other Funds  |                      | 471,551              | 540,510                  | 1,012,061            | (1,012,061)            | 129,643                      |
| Unearned Revenue  | 129,643              |                      |                          | 129,643              |                        | 129,643                      |
| Bonds Interest Payable  |                      |                      |                          |                      | 515,721                | 515,721                      |
| Accrued Vacation Payable  |                      |                      |                          |                      | 73,004                 | 73,004                       |
| Noncurrent Liabilities:   |                      |                      |                          |                      |                        |                              |
| Due Within One Year   |                      |                      |                          |                      | 3,115,000              | 3,115,000                    |
| Due After One Year  |                      |                      |                          |                      | 42,438,257             | 42,438,257                   |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 1,515,069</u>  | <u>\$ 471,551</u>    | <u>\$ 540,510</u>        | <u>\$ 2,527,130</u>  | <u>\$ 45,129,921</u>   | <u>\$ 47,657,051</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                      |                      |                          |                      |                        |                              |
| Property Taxes  | \$ 32,154            | \$ 27,435            | \$ -0-                   | \$ 59,589            | \$ (59,589)            | \$ -0-                       |
| Pension   |                      |                      |                          |                      | 43,717                 | 43,717                       |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <u>\$ 32,154</u>     | <u>\$ 27,435</u>     | <u>\$ -0-</u>            | <u>\$ 59,589</u>     | <u>\$ (15,872)</u>     | <u>\$ 43,717</u>             |
| <b>FUND BALANCES</b>  |                      |                      |                          |                      |                        |                              |
| Nonspendable-   |                      |                      |                          |                      |                        |                              |
| Prepaid Items   | \$ 48,173            | \$                   | \$                       | \$ 48,173            | \$ (48,173)            | \$                           |
| Restricted for:   |                      |                      |                          |                      |                        |                              |
| Debt Service  |                      | 4,718,858            |                          | 4,718,858            | (4,718,858)            |                              |
| Capital Projects  |                      |                      | 2,305,136                | 2,305,136            | (2,305,136)            |                              |
| Park Capital Fees   | 821,750              |                      |                          | 821,750              | (821,750)              |                              |
| Committed for -   |                      |                      |                          |                      |                        |                              |
| Repair and Replacement of Capital Assets                                  | 5,703,709            |                      |                          | 5,703,709            | (5,703,709)            |                              |
| Unassigned  | 11,730,738           |                      |                          | 11,730,738           | (11,730,738)           |                              |
| <b>TOTAL FUND BALANCES</b>  | <u>\$ 18,304,370</u> | <u>\$ 4,718,858</u>  | <u>\$ 2,305,136</u>      | <u>\$ 25,328,364</u> | <u>\$ (25,328,364)</u> | <u>\$ -0-</u>                |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <u>\$ 19,851,593</u> | <u>\$ 5,217,844</u>  | <u>\$ 2,845,646</u>      | <u>\$ 27,915,083</u> |                        |                              |
| <b>NET POSITION</b>   |                      |                      |                          |                      |                        |                              |
| Net Investment in Capital Assets  |                      |                      |                          |                      | \$ 12,316,369          | \$ 12,316,369                |
| Restricted for Debt Service   |                      |                      |                          |                      | 4,230,572              | 4,230,572                    |
| Restricted for Parks Capital Fees   |                      |                      |                          |                      | 821,750                | 821,750                      |
| Unrestricted  |                      |                      |                          |                      | 17,908,896             | 17,908,896                   |
| <b>TOTAL NET POSITION</b>   |                      |                      |                          |                      | <u>\$ 35,277,587</u>   | <u>\$ 35,277,587</u>         |

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

|  |    |            |
|--|----|------------|
| Total Fund Balances - Governmental Funds | \$ | 25,328,364 |
|--|----|------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

|   |  |            |
|---|--|------------|
| Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. |  | 55,411,762 |
|---|--|------------|

|   |  |         |
|---|--|---------|
| Deferred charges on refunding bonds are not an expenditure of the current period. |  | 152,728 |
|---|--|---------|

Pension related amounts are not recorded in the governmental funds. These consist of:

|                                |  |          |
|--------------------------------|--|----------|
| Net Pension Asset              |  | 341,132  |
| Deferred Outflows of Resources |  | 169,711  |
| Deferred Inflows of Resources  |  | (43,717) |

|   |  |        |
|---|--|--------|
| Deferred tax revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. |  | 59,589 |
|---|--|--------|

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

|   |                     |                     |
|---|---------------------|---------------------|
| Accrued Interest Payable                  | \$ (515,721)        |                     |
| Accrued Vacation Payable                  | (73,004)            |                     |
| Long-Term Liabilities Due Within One Year | (3,115,000)         |                     |
| Long-Term Liabilities Due After One Year  | <u>(42,438,257)</u> | <u>(46,141,982)</u> |

|  |    |                   |
|--|----|-------------------|
| Total Net Position - Governmental Activities | \$ | <u>35,277,587</u> |
|--|----|-------------------|

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

|  | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments           | Statement of<br>Activities |
|--|----------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------------|
| <b>REVENUES</b>  |                      |                      |                          |                      |                       |                            |
| Program Revenue:   |                      |                      |                          |                      |                       |                            |
| Water and Wastewater Services  | \$ 5,385,725         | \$                   | \$                       | \$ 5,385,725         | \$                    | \$ 5,385,725               |
| Park and Recreation Center Fees  | 1,673,060            |                      |                          | 1,673,060            |                       | 1,673,060                  |
| Garbage Collection   | 1,385,486            |                      |                          | 1,385,486            |                       | 1,385,486                  |
| Capital Recovery Fees  |                      |                      | 9,748                    | 9,748                |                       | 9,748                      |
| Inspection Fees  | 27,685               |                      |                          | 27,685               |                       | 27,685                     |
| Tap and Other Connection Fees  | 3,074                |                      |                          | 3,074                |                       | 3,074                      |
| Contributions  | 1,932                |                      |                          | 1,932                |                       | 1,932                      |
| General Revenue:   |                      |                      |                          |                      |                       |                            |
| Property Taxes   | 5,903,594            | 4,008,201            |                          | 9,911,795            | 16,492                | 9,928,287                  |
| Investment Earnings  | 284,545              | 72,603               | 39,583                   | 396,731              |                       | 396,731                    |
| Rental Income  | 96,533               |                      |                          | 96,533               |                       | 96,533                     |
| Other  | 158,468              |                      |                          | 158,468              |                       | 158,468                    |
| <b>TOTAL REVENUES</b>  | <b>\$ 14,920,102</b> | <b>\$ 4,080,804</b>  | <b>\$ 49,331</b>         | <b>\$ 19,050,237</b> | <b>\$ 16,492</b>      | <b>\$ 19,066,729</b>       |
| <b>EXPENDITURES/EXPENSES</b>   |                      |                      |                          |                      |                       |                            |
| Service Operations:  |                      |                      |                          |                      |                       |                            |
| Salary and Benefits  | \$ 4,261,308         | \$                   | \$                       | \$ 4,261,308         | \$ (73,005)           | \$ 4,188,303               |
| Water and Wastewater Purchases   | 1,348,904            |                      |                          | 1,348,904            |                       | 1,348,904                  |
| Garbage Fees   | 1,237,786            |                      |                          | 1,237,786            |                       | 1,237,786                  |
| Repairs and Maintenance  | 876,860              |                      |                          | 876,860              |                       | 876,860                    |
| Administrative   | 1,021,688            |                      |                          | 1,021,688            |                       | 1,021,688                  |
| Utilities  | 624,474              |                      |                          | 624,474              |                       | 624,474                    |
| Contracted Services  | 190,618              | 6,575                |                          | 197,193              |                       | 197,193                    |
| Legal Fees   | 112,648              |                      |                          | 112,648              |                       | 112,648                    |
| Insurance  | 79,303               |                      |                          | 79,303               |                       | 79,303                     |
| Engineering Fees   | 106,155              |                      |                          | 106,155              |                       | 106,155                    |
| Tax Appraisal/Collection Fees  |                      | 64,019               |                          | 64,019               |                       | 64,019                     |
| Audit Fees   | 39,000               |                      |                          | 39,000               |                       | 39,000                     |
| Financial Advisor  | 20,000               |                      |                          | 20,000               |                       | 20,000                     |
| Director's Fees  | 25,650               |                      |                          | 25,650               |                       | 25,650                     |
| Security Fees  | 8,224                |                      |                          | 8,224                |                       | 8,224                      |
| Other  | 198,761              | 55                   | 46                       | 198,862              |                       | 198,862                    |
| Capital Outlay   | 2,300,762            |                      | 49,776                   | 2,350,538            | (2,350,538)           |                            |
| Debt Service:  |                      |                      |                          |                      |                       |                            |
| Principal Payments   | 405,000              | 2,605,000            |                          | 3,010,000            | (3,010,000)           |                            |
| Interest and Fiscal Charges  | 163,323              | 1,481,295            |                          | 1,644,618            | (340,508)             | 1,304,110                  |
| Depreciation   |                      |                      |                          |                      | 3,061,544             | 3,061,544                  |
| <b>TOTAL EXPENDITURES/EXPENSES</b>   | <b>\$ 13,020,464</b> | <b>\$ 4,156,944</b>  | <b>\$ 49,822</b>         | <b>\$ 17,227,230</b> | <b>\$ (2,712,507)</b> | <b>\$ 14,514,723</b>       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES/<br/>EXPENSES</b> | <b>\$ 1,899,638</b>  | <b>\$ (76,140)</b>   | <b>\$ (491)</b>          | <b>\$ 1,823,007</b>  | <b>\$ 2,728,999</b>   | <b>\$ 4,552,006</b>        |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                      |                      |                          |                      |                       |                            |
| Transfers In (Out)   | \$                   | \$ 517,760           | \$ (517,760)             | \$                   | \$                    | \$                         |
| Sale of Capital Assets   | 32,303               |                      |                          | 32,303               |                       | 32,303                     |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                                    | <b>\$ 32,303</b>     | <b>\$ 517,760</b>    | <b>\$ (517,760)</b>      | <b>\$ 32,303</b>     | <b>\$ -0-</b>         | <b>\$ 32,303</b>           |
| <b>NET CHANGE IN FUND BALANCES</b>   | <b>\$ 1,931,941</b>  | <b>\$ 441,620</b>    | <b>\$ (518,251)</b>      | <b>\$ 1,855,310</b>  | <b>\$ (1,855,310)</b> | <b>\$</b>                  |
| <b>CHANGE IN NET POSITION</b>  |                      |                      |                          |                      | <b>4,584,309</b>      | <b>4,584,309</b>           |
| <b>FUND BALANCES/NET POSITION -<br/>OCTOBER 1, 2017</b>                            | <b>16,372,429</b>    | <b>4,277,238</b>     | <b>2,823,387</b>         | <b>23,473,054</b>    | <b>7,220,224</b>      | <b>30,693,278</b>          |
| <b>FUND BALANCES/NET POSITION -<br/>SEPTEMBER 30, 2018</b>                         | <b>\$ 18,304,370</b> | <b>\$ 4,718,858</b>  | <b>\$ 2,305,136</b>      | <b>\$ 25,328,364</b> | <b>\$ 9,949,223</b>   | <b>\$ 35,277,587</b>       |

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

|  |    |                         |
|--|----|-------------------------|
| Net Change in Fund Balances - Governmental Funds   | \$ | 1,855,310               |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |    |                         |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.   |    | 16,492                  |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.   |    | (3,061,544)             |
| Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.  |    | 2,350,538               |
| Governmental funds report bond discounts, bond premiums and deferred charges on refunding bonds as other financing sources/uses in the year paid. However, in the Statement of Net Position, the bond discounts, bond premiums and deferred charges on refunding bonds are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. |    | 103,729                 |
| Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.  |    | 3,010,000               |
| 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 the governmental funds.  |    |                         |
| Change in accrued vacation   |    | 564                     |
| Change in pension related accounts   |    | 72,441                  |
| Change in bond interest payable  |    | <u>236,779</u>          |
| Change in Net Position - Governmental Activities   | \$ | <u><u>4,584,309</u></u> |

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

**NOTES TO THE  
FINANCIAL STATEMENTS**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1. CREATION OF DISTRICT**

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 District, as a reporting entity, encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is a political subdivision of the State of Texas governed by a five-member Board of Directors 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") since it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. In addition, there are no component units included in the District's reporting entity.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds:

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues and costs and general operating expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

The District provides for uncollectible service 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. The District had an allowance for uncollectible accounts at September 30, 2018 of \$120,616.

Capital Assets

Capital assets, which include land, construction in progress, infrastructure assets, easements and rights-of-way, buildings and improvements, furniture and equipment, park and recreational facilities, and automobiles and trucks are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets to the District are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs, if any, are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least five years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

|  | <u>Years</u> |
|--|--------------|
| Easements and Rights-of-Way            | 40           |
| Buildings and Improvements             | 10-40        |
| Water, Wastewater and Drainage Systems | 7-50         |
| Park and Recreational Facilities       | 10-22        |
| Furniture and Equipment                | 6-10         |
| Automobiles and Trucks                 | 5            |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund financial statements.

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Compensated Absences

Accrued paid time off is earned by each full-time employee at a rate of between 13.30 and 17.97 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, 2018 was \$73,004. This liability is generally liquidated through the General Fund.

Pensions

The District participates in an agent multiple-employer defined benefit pension plan. The fiduciary net position of the Texas County and District Retirement System ("TCDRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. See further discussion of committed fund balance at Note 10.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District authorized the General Manager to have the authority to assign any amount of funds which may occur subsequent to fiscal year end. The District has no assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net position or fund balance.

Fair Value Measurements

The District follows GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2018:

|                                | Balance<br>September 30,<br>2017 | Additions       | Retirements           | Balance<br>September 30,<br>2018 |
|--------------------------------|----------------------------------|-----------------|-----------------------|----------------------------------|
| Bonds Payable and Revenue Note | \$ 47,530,000                    | \$              | \$ (3,010,000)        | \$ 44,520,000                    |
| Premium on Bond Issuances      | 1,191,389                        |                 | (114,834)             | 1,076,555                        |
| Discount on Bond Issuances     | (44,387)                         |                 | 1,089                 | (43,298)                         |
| <b>Total</b>                   | <b>\$ 48,677,002</b>             | <b>\$ - 0 -</b> | <b>\$ (3,123,745)</b> | <b>\$ 45,553,257</b>             |

Long-term debt at September 30, 2018, is comprised of the following:

|   | Balance<br>September 30,<br>2018 | Due Within<br>One Year |
|---|----------------------------------|------------------------|
| \$9,500,000 Series 2005 serial bonds due in two annual installments of \$570,000 and \$595,000 on June 1, 2019 and 2020. Interest is 3.00% and is payable June 1 and December 1 each year.  | \$ 1,165,000                     | \$ 570,000             |
| \$2,365,000 Series 2009 Sendero Springs/Cornerstone Defined Area serial bonds due in two annual installments of \$75,000 and \$80,000 on June 1, 2019 and 2020. Interest is 5.25% and is payable June 1 and December 1 each year.         | 155,000                          | 75,000                 |
| \$7,975,000 Series 2009 refunding bonds due in annual installments of \$210,000 to \$265,000 through June 1, 2024. Interest varies from 4.00% to 4.625% and is payable June 1 and December 1 each year.                                   | 1,405,000                        | 210,000                |
| \$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 2.50% to 4.00% and is payable June 1 and December 1 each year.                                 | 8,825,000                        | 1,215,000              |
| \$2,370,000 Series 2011 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December each year. | 1,950,000                        | 80,000                 |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

|  |                      |                     |
|--|----------------------|---------------------|
| \$2,085,000 Series 2011 refunding bonds due in annual installments of \$175,000 to \$245,000 through June 1, 2028. Interest is 3.84% and is payable June 1 and December 1 each year.   | 2,045,000            | 175,000             |
| \$9,260,000 Series 2012 refunding bonds due in annual installments of \$40,000 to \$1,600,000 through June 1, 2028. Interest is 3.00% and is payable June 1 and December 1 each year.  | 7,475,000            | 40,000              |
| \$6,125,000 Series 2013 refunding bonds due in annual installments of \$15,000 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.                                      | 6,010,000            | 15,000              |
| \$3,500,000 Series 2013 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$95,000 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.  | 3,070,000            | 95,000              |
| \$3,625,000 Series 2015 refunding bonds due in annual installments of \$120,000 to \$300,000 through June 1, 2033. Interest varies from 2.00% to 3.75% and is payable June 1 and December 1 each year.                                       | 3,360,000            | 120,000             |
| \$3,530,000 Series 2015 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$100,000 to \$225,000 through June 1, 2039. Interest varies from 2.00% to 3.75% and is payable June 1 and December 1 each year. | 3,255,000            | 100,000             |
| \$6,605,000 Series 2016 Term Note (Community Center) is due in annual installments of \$420,000 to \$555,000 through June 1, 2030. Interest is 2.63% and is payable June 1 and December 1 each year.   | <u>5,805,000</u>     | <u>420,000</u>      |
| Total Long-Term Debt   | <u>\$ 44,520,000</u> | <u>\$ 3,115,000</u> |

As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

|           | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------|----------------------|----------------------|----------------------|
| 2019      | \$ 3,115,000         | \$ 1,547,160         | \$ 4,662,160         |
| 2020      | 3,240,000            | 1,444,704            | 4,684,704            |
| 2021      | 3,360,000            | 1,331,525            | 4,691,525            |
| 2022      | 3,490,000            | 1,214,161            | 4,704,161            |
| 2023      | 3,620,000            | 1,091,305            | 4,711,305            |
| 2024-2028 | 20,500,000           | 3,532,939            | 24,032,939           |
| 2029-2033 | 4,925,000            | 1,029,748            | 5,954,748            |
| 2034-2038 | 2,045,000            | 316,249              | 2,361,249            |
| 2039      | 225,000              | 8,442                | 233,442              |
|           | <u>\$ 44,520,000</u> | <u>\$ 11,516,233</u> | <u>\$ 56,036,233</u> |



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of September 30, 2018, the District had \$12,815,000 of bonds authorized but unissued of which \$10,715,000 is for improvements to the Defined Area water, wastewater, and drainage systems and \$2,100,000 is for improvements to the District-wide water systems.

During the year ended September 30, 2018, the District levied an ad valorem District-wide debt service tax rate of \$0.16 per \$100 of assessed valuation, which resulted in a tax levy of \$3,149,892 on the adjusted taxable valuation of \$1,968,553,734 for the 2017 tax year. The District also levied an ad valorem Defined Area debt service tax rate of \$0.19 per \$100 of assessed valuation, which resulted in a tax levy of \$860,701 on the adjusted taxable valuation of \$452,999,890 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2018.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the Bonds sold, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,667,804 and the bank balance was \$3,833,691. Of the bank balance, \$508,791 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2018, as listed below:

|                       | <u>Cash</u>       | <u>Money<br/>Markets</u> | <u>Certificates<br/>of Deposit</u> | <u>Total</u>        |
|-----------------------|-------------------|--------------------------|------------------------------------|---------------------|
| GENERAL FUND          | \$ 905,782        | \$ 666,329               | \$ 2,086,507                       | \$ 3,658,618        |
| DEBT SERVICE FUND     | 9,186             | -                        | -                                  | 9,186               |
| <b>TOTAL DEPOSITS</b> | <u>\$ 914,968</u> | <u>\$ 666,329</u>        | <u>\$ 2,086,507</u>                | <u>\$ 3,667,804</u> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth and yield, sixth. The District's investments must be made "with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. 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.

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

|                                      | Net Asset Value,<br>Cost or Amortized<br>Cost | Fair Value           |                 |                 | Total                | Weighted Average<br>Maturity (Days) |
|--------------------------------------|---|----------------------|-----------------|-----------------|----------------------|-------------------------------------|
|                                      |   | Level 1              | Level 2         | Level 3         |                      |                                     |
| Money Market                         | \$ 666,329                                    | \$                   | \$              | \$              | \$ 666,329           |                                     |
| Certificates of Deposit              | 2,086,507                                     |                      |                 |                 | 2,086,507            | 18                                  |
| Investment Pools                     |   |                      |                 |                 |                      |                                     |
| TexPool (amortized cost)             | 1,458,372                                     |                      |                 |                 | 1,458,372            |                                     |
| LOGIC (net asset value)              | <u>384,929</u>                                |                      |                 |                 | <u>384,929</u>       |                                     |
| Total Investment Pools               | 1,843,301                                     |                      |                 |                 | 1,843,301            |                                     |
| U.S. Government Agency<br>Securities |   | 11,930,545           |                 |                 | 11,930,545           | 121                                 |
| Treasury Coupons                     |   | <u>8,177,276</u>     |                 |                 | <u>8,177,276</u>     | <u>86</u>                           |
| Total Investments                    | \$ <u>4,596,137</u>                           | \$ <u>20,107,821</u> | \$ <u>- 0 -</u> | \$ <u>- 0 -</u> | \$ <u>24,703,958</u> | <u>225</u>                          |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

U.S. Treasury Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

At September 30, 2018, the investment portfolio weighted average maturity was 225 days.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District also invests in Local Government Investment Cooperative (“LOGIC”), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District’s funds. LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials (“TASBO”). LOGIC meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

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 is the risk that the 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, 2018, the District’s investments in TexPool and LOGIC were rated “AAAm” by Standard and Poor’s. The District’s investments in municipal bonds, U.S. agencies coupon securities and certificates of deposit had ratings from Standard and Poor’s in compliance with the District’s investment policy.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. At September 30, 2018, the District's investment portfolio was comprised primarily of the following issuers:

| <u>Issuer</u>                               | <u>Amount</u>        | <u>% of Total<br/>Investments</u> | <u>Standard &amp; Poor's<br/>Rating</u> |
|---|----------------------|-----------------------------------|---|
| US Treasury Notes                           | \$ 8,177,276         | 33.1 %                            | AA+                                     |
| US Agencies:                                |                      |                                   |   |
| Federal Home Loan Bank                      | 6,468,455            | 26.2                              | AA+                                     |
| Federal Home Loan Mortgage Company          | 990,100              | 4.0                               | AA+                                     |
| Federal National Mortgage Company           | 2,471,500            | 10.0                              | AA+                                     |
| Federal Agriculture Mortgage Corp.          | 2,000,490            | 8.1                               | AA+                                     |
| 2a7-like Local Government Investment Pools: |                      |                                   |   |
| TexPool                                     | 1,458,372            | 5.9                               | AAAm                                    |
| LOGIC                                       | 384,929              | 1.6                               | AAAm                                    |
| Money Market/Demand Deposits                | 666,329              | 2.7                               | Various                                 |
| Certificates of Deposit                     | <u>2,086,507</u>     | <u>8.4</u>                        | Various                                 |
| Total Investments                           | <u>\$ 24,703,958</u> | <u>100.0 %</u>                    |   |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool, LOGIC and the money market funds to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. Certificates of deposit, U.S. agencies coupon securities and U.S. treasury notes held by the District have set interest rates.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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SEPTEMBER 30, 2018**

**NOTE 6. 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, 2018 is as follows:

| Receivable<br>Fund | Payable Fund     | Amount       |
|--------------------|------------------|--------------|
| General            | Debt Service     | \$ 343,924   |
| General            | Capital Projects | 540,510      |
| Capital Projects   | Debt Service     | 127,627      |
| Total              |                  | \$ 1,012,061 |

The Capital Projects Fund transferred \$517,760 of capital recovery funds to the Debt Service Fund to pay off a portion of the Series 2009 bonds subsequent to year end.

**NOTE 7. MAINTENANCE TAX**

The Williamson Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on August 24, 2017.

During the year ended September 30, 2018, the District levied an ad valorem District-wide maintenance tax rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$5,906,047 on the adjusted taxable valuation of \$1,968,553,734 for the 2017 tax year.

The District's tax calendar is as follows:

- Levy Date - October 1, as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt but not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

|  | Balance<br>September 30,<br>2017 | Additions          | Retirements and<br>Transfers | Balance<br>September 30,<br>2018 |
|--|----------------------------------|--------------------|------------------------------|----------------------------------|
| <b>Capital Assets, Not Being Depreciated:</b>      |                                  |                    |                              |                                  |
| Land   | \$ 3,211,879                     | \$                 | \$                           | \$ 3,211,879                     |
| Construction in Progress                           | 964,979                          | 340,409            | (698,228)                    | 607,160                          |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>4,176,858</b>                 | <b>340,409</b>     | <b>(698,228)</b>             | <b>3,819,039</b>                 |
| <b>Capital Assets, Being Depreciated:</b>          |                                  |                    |                              |                                  |
| Water, Wastewater, and Drainage Systems            | 84,804,820                       | 296,066            | (330,000)                    | 84,770,886                       |
| Easements and Rights-of-Way                        | 901,890                          |                    |                              | 901,890                          |
| Buildings and Improvements                         | 6,410,050                        | 1,248,823          | 4,547,142                    | 12,206,015                       |
| Furniture and Equipment                            | 1,116,986                        | 220,401            | (111,000)                    | 1,226,387                        |
| Park and Recreational Facilities                   | 12,232,384                       | 943,067            | (4,675,120)                  | 8,500,331                        |
| Automobiles and Trucks                             | 496,840                          |                    |                              | 496,840                          |
| <b>Total Capital Assets Being Depreciated</b>      | <b>105,962,970</b>               | <b>2,708,357</b>   | <b>(568,978)</b>             | <b>108,102,349</b>               |
| <b>Less Accumulated Depreciation For:</b>          |                                  |                    |                              |                                  |
| Water, Wastewater, and Drainage Systems            | (47,781,002)                     | (2,128,320)        | 330,000                      | (49,579,322)                     |
| Easements and Rights-of-Way                        | (294,672)                        | (22,547)           |                              | (317,219)                        |
| Buildings and Improvements                         | (1,869,394)                      | (335,711)          | 22,000                       | (2,183,105)                      |
| Furniture and Equipment                            | (344,294)                        | (142,597)          | 111,000                      | (375,891)                        |
| Park and Recreational Facilities                   | (3,455,598)                      | (374,667)          | 105,978                      | (3,724,287)                      |
| Automobiles and Trucks                             | (272,100)                        | (57,702)           |                              | (329,802)                        |
| <b>Total Accumulated Depreciation</b>              | <b>(54,017,060)</b>              | <b>(3,061,544)</b> | <b>568,978</b>               | <b>(56,509,626)</b>              |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>51,945,910</b>                | <b>(353,187)</b>   | <b>-</b>                     | <b>51,592,723</b>                |
| <b>Capital Assets, Net</b>                         | <b>\$ 56,122,768</b>             | <b>\$ (12,778)</b> | <b>\$ (698,228)</b>          | <b>\$ 55,411,762</b>             |

**NOTE 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 \$9,748 for the year ended September 30, 2018 and are within the Capital Projects Fund.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10. FUND BALANCES**

The Board committed \$5,703,709 of General Fund balance to pay for future repairs, replacements, and purchases of capital. The Amounts committed for funding capital projects as of September 30, 2018 are as follows:

|  |                     |
|--|---------------------|
| Utility Equipment Replacement                    | \$ 151,902          |
| Replacement of Water Facility Membranes          | 1,075,000           |
| Community Center Equipment Replacement           | 59,643              |
| Well #6 Construction                             | 30,000              |
| Park Master Plan Projects                        | 1,157,969           |
| BRA Water Line Reserves                          | 404,612             |
| Regional Waste Water Improvements Fund           | 564,389             |
| Maintenance Yard Engineering                     | 250,000             |
| Renovation of Maintenance Yard                   | 178,000             |
| Relocation of Utilities for Hairy Man Rd Project | 70,400              |
| Trail Washouts                                   | 325,000             |
| Drainage Improvements                            | 250,000             |
| Lift Station Improvements                        | 200,000             |
| Collection Lift Station Repairs                  | 60,000              |
| Community Center Expansion Engineering           | 137,194             |
| Future Waterline Replacements                    | 50,000              |
| A/C Unit for Well #3                             | 10,000              |
| WTP Generator Improvements Reserve Fund          | (74,500)            |
| SCADA Server Replacement (WTP)                   | 25,000              |
| Hoe Ram for Mini Excavator                       | 9,000               |
| F550 with Dump Bed                               | 50,000              |
| F250 to Replace Nissan Pickup                    | 25,000              |
| Community Park Playground                        | 245,100             |
| Community Park Amphitheatre                      | 250,000             |
| Highland Horizon Pool Building                   | 50,000              |
| Cat Hollow Pool Restrooms                        | 150,000             |
|  | <u>\$ 5,703,709</u> |



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11. COMMITMENTS**

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.

**NOTE 12. DEFINED BENEFIT PENSION PLAN**

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through an agent multiple-employer nontraditional defined benefit pension plan administered by the 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 over 600 active participating counties and districts throughout Texas. 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.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

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 eight or more years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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.

Employee membership data related to the Plan, as of the valuation date of December 31, 2017 was as follows:

|   |     |
|---|-----|
| Retirees and beneficiaries currently receiving benefits         | 7   |
| Terminated employees entitled to but not yet receiving benefits | 261 |
| Active plan members   | 107 |
| Total   | 375 |

Contributions

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 5.93% for 2017 as adopted by the governing body of the District. The employee contribution rate was 6.00%. 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. The required contribution and actual contributions for the year ended December 31, 2017 equaled \$168,727 and \$173,616.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| Valuation Timing   | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.   |
| Actuarial Cost Method  | Entry Age Normal   |
| Amortization Method  | Straight-lined amortization over expected working life   |
| Asset Valuation Method   |  |
| Smoothing Period   | 5 years  |
| Recognition Method   | Non-asymptotic   |
| Corridor   | None   |
| Inflation  | 2.75%  |
| Salary Increases   | Varies by age and service. 4.9% average over career including inflation.   |
| Investment Rate of Return  | 8.10%  |
| Cost-of-Living Adjustments                                       | Cost-of-Living Adjustments for District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age   | Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for ages 40-44 up to a high of 25% for ages 65 and 66 for males and females.  |
| Turnover   | New employees are assumed to replace any terminated members and have similar entry ages.   |
| Mortality  |  |
| Depositing members   | 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014  |
| Service Retirees,<br>Beneficiaries and<br>Non-Depositing Members | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014   |
| Disabled Retirees  | 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014   |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

All actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

| Asset Class                        | Benchmark  | Target Allocation (1) | Geometric Real Rate of Return (Expected Minus Inflation) (2) |
|------------------------------------|--|-----------------------|--|
| U.S. Equities                      | Dow Jones U.S. Total Stock Market Index                                | 11.50%                | 4.55%  |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (3) | 16.00%                | 7.55%  |
| Global Equities                    | MSCI Worl (net) Index  | 1.50%                 | 4.85%  |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index  | 11.00%                | 4.55%  |
| Int'l Equities - Emerging Markets  | MSCI Emerging Markets (net) Index                                      | 8.00%                 | 5.55%  |
| Investment - Grade Bonds           | Bloomberg Barclays U.S. Aggregate Bond Index                           | 3.00%                 | 0.75%  |
| Strategic Credit                   | FTSE High-Yield Cash-Pay Capped Index                                  | 8.00%                 | 4.12%  |
| Direct Lending                     | S&P/LSTA Leveraged Loan Index  | 10.00%                | 8.06%  |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index (4)                   | 2.00%                 | 6.30%  |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index   | 2.00%                 | 4.05%  |
| Master Limited Partnerships (MLPs) | Alerian MLP Index  | 3.00%                 | 6.00%  |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (5)                             | 6.00%                 | 6.25%  |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index         | 18.00%                | 4.10%  |

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in net pension asset for the valuation year ended December 31, 2017 are as follows:

| <u>Changes in Net Pension Liability / (Asset)</u> | <u>Total Pension Liability<br/>(a)</u> | <u>Fiduciary Net Position<br/>(b)</u> | <u>Net Pension Liability /<br/>(Asset) (a) - (b)</u> |
|---|--|---------------------------------------|--|
| Balances as of December 31, 2016                  | \$ 3,970,927                           | \$ 4,058,071                          | \$ (87,144)  |
| Changes For the Year:                             |  |                                       |  |
| Service Cost                                      | 294,923                                |                                       | 294,923  |
| Interest on Total Pension Liability (1)           | 342,882                                |                                       | 342,882  |
| Effect of Plan Changes (2)                        | 4,376                                  |                                       | 4,376  |
| Effect of Economic/Demographic<br>Gains or Losses | 44,864                                 |                                       | 44,864   |
| Effect of Assumptions Changes or<br>Inputs        | 512                                    |                                       | 512  |
| Refund of Contributions                           | (37,026)                               | (37,026)                              |  |
| Benefit Payments                                  | (29,757)                               | (29,757)                              |  |
| Administrative Expenses                           |  | (3,280)                               | 3,280  |
| Member Contributions                              |  | 170,719                               | (170,719)  |
| Net Investment Income                             |  | 596,801                               | (596,801)  |
| Employer Contributions                            |  | 173,616                               | (173,616)  |
| Other (3)   |  | 3,689                                 | (3,689)  |
| Balances as of December 31, 2017                  | <u>\$ 4,591,701</u>                    | <u>\$ 4,932,833</u>                   | <u>\$ (341,132)</u>                                  |

(1) Reflects the change in the liability due to the time value of money. TCDRS does not change fees or interest.

(2) Reflects plan changes adopted effective in 2018.

(3) Relates to allocation of system-wide items.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 8.10%, as well as what the District net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

|                                 | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u>  |
|---------------------------------|--------------------|----------------------------------|---------------------|
| Total Pension Liability         | \$ 5,331,902       | \$ 4,591,701                     | \$ 3,989,413        |
| Fiduciary Net Position          | 4,932,833          | 4,932,833                        | 4,932,833           |
| Net Pension Liability / (Asset) | <u>\$ 399,069</u>  | <u>\$ (341,132)</u>              | <u>\$ (943,420)</u> |

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2018, the District recognized pension benefit of \$72,441. As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

|  | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Deferred Outflows<br/>of Resources</u> |
|--|--|---|
| Differences Between Expected and Actual Experience   | \$ 9,577                                     | \$ 29,909                                 |
| Changes of Assumptions                               |  | 341                                       |
| Net Difference Between Projected and Actual Earnings | 34,140                                       |   |
| Contributions Made Subsequent to Measurement Date    |  | 139,461                                   |
|  | <u>\$ 43,717</u>                             | <u>\$ 169,711</u>                         |

The \$139,461 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. The remaining amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>September 30,</u> | <u>Pension Expense<br/>Amount</u> |
|-------------------------------------|-----------------------------------|
| 2018                                | \$ 41,837                         |
| 2019                                | 40,943                            |
| 2020                                | (44,835)                          |
| 2021                                | (51,412)                          |
|                                     | <u>\$ (13,467)</u>                |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**NOTE 14. LEASE AGREEMENTS**

The District entered into agreements with three outside parties to lease District property for cell tower use in fiscal years 2004, 2005 and 2009. During the year ended September 30, 2018, the District recognized rental income of \$78,823 related to these agreements. Future rental income per these agreements is as follows:

|            |    |                         |
|------------|----|-------------------------|
| 2019       | \$ | 80,575                  |
| 2020       |    | 87,097                  |
| 2021       |    | 88,782                  |
| 2022       |    | 89,823                  |
| 2023       |    | 90,896                  |
| Thereafter |    | 1,675,873               |
| Total      | \$ | <u><u>2,113,046</u></u> |

The District owns a house that it rents to third parties through a management company. During the year ended September 30, 2018, the District recognized rental income of \$17,710 related to this rental property. Future rental income per the lease agreement effective as of September 30, 2018 is \$16,335 for fiscal year 2019.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 15. SUBSEQUENT EVENT**

On October 1, 2018, the District redeemed \$510,000 of its Series 2009 bonds prior to their scheduled maturity dates of June 1, 2023 and June 1, 2024. The early redemption resulted in an overall debt service savings to the District of \$120,402.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|   | Original<br>Budget   | Final<br>Budget      | Actual               | Variance<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| <b>REVENUES</b>                                 |                      |                      |                      |                                    |
| Program Revenue:                                |                      |                      |                      |                                    |
| Water and Wastewater Services                   | \$ 5,215,166         | \$ 5,215,166         | \$ 5,385,725         | \$ 170,559                         |
| Park and Recreation Center Fees                 | 1,475,646            | 1,519,904            | 1,673,060            | 153,156                            |
| Garbage Collection                              | 1,367,400            | 1,367,400            | 1,385,486            | 18,086                             |
| Inspection Fees                                 | 14,500               | 14,500               | 27,685               | 13,185                             |
| Tap and Other Connection Fees                   | 23,600               | 23,600               | 3,074                | (20,526)                           |
| Contributions                                   |                      |                      | 1,932                | 1,932                              |
| General Revenue:                                |                      |                      |                      |                                    |
| Property Taxes                                  | 5,812,840            | 5,812,840            | 5,903,594            | 90,754                             |
| Investment Earnings                             | 85,000               | 141,500              | 284,545              | 143,045                            |
| Rental Income                                   | 98,200               | 98,200               | 96,533               | (1,667)                            |
| Other   | 134,045              | 134,045              | 158,468              | 24,423                             |
| <b>TOTAL REVENUES</b>                           | <b>\$ 14,226,397</b> | <b>\$ 14,327,155</b> | <b>\$ 14,920,102</b> | <b>\$ 592,947</b>                  |
| <b>EXPENDITURES</b>                             |                      |                      |                      |                                    |
| Service Operations:                             |                      |                      |                      |                                    |
| Salary and Benefits                             | \$ 4,445,762         | \$ 4,446,412         | \$ 4,261,308         | \$ 185,104                         |
| Water and Wastewater Purchases                  | 1,599,633            | 1,599,633            | 1,348,904            | 250,729                            |
| Garbage Fees                                    | 1,238,306            | 1,238,306            | 1,237,786            | 520                                |
| Repairs and Maintenance                         | 802,464              | 829,464              | 876,860              | (47,396)                           |
| Administrative                                  | 1,012,063            | 1,067,713            | 1,021,688            | 46,025                             |
| Utilities                                       | 664,044              | 649,644              | 624,474              | 25,170                             |
| Contracted Services                             | 321,175              | 371,133              | 190,618              | 180,515                            |
| Legal Fees                                      | 100,000              | 95,800               | 112,648              | (16,848)                           |
| Insurance                                       | 70,250               | 70,250               | 79,303               | (9,053)                            |
| Engineering Fees                                | 52,500               | 76,900               | 106,155              | (29,255)                           |
| Audit Fees                                      | 39,500               | 39,500               | 39,000               | 500                                |
| Financial Advisor                               | 20,000               | 20,000               | 20,000               |                                    |
| Director's Fees                                 | 36,000               | 36,000               | 25,650               | 10,350                             |
| Security Fees                                   | 10,650               | 10,650               | 8,224                | 2,426                              |
| Other *   | 157,992              | 194,292              | 198,761              | (4,469)                            |
| Capital Outlay                                  | 2,199,000            | 2,792,101            | 2,300,762            | 491,339                            |
| Debt Service:                                   |                      |                      |                      |                                    |
| Principal Payments                              | 405,000              | 405,000              | 405,000              |                                    |
| Interest and Fiscal Charges                     | 163,323              | 163,323              | 163,323              |                                    |
| <b>TOTAL EXPENDITURES</b>                       | <b>\$ 13,337,662</b> | <b>\$ 14,106,121</b> | <b>\$ 13,020,464</b> | <b>\$ 1,085,657</b>                |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ 888,735</b>    | <b>\$ 221,034</b>    | <b>\$ 1,899,638</b>  | <b>\$ 1,678,604</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                      |                      |                      |                                    |
| Transfers Out                                   | \$ (480,400)         | \$ (33,400)          | \$                   | \$ 33,400                          |
| Sale of Capital Assets                          |                      |                      | 32,303               | 32,303                             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>     | <b>\$ (480,400)</b>  | <b>\$ (33,400)</b>   | <b>\$ 32,303</b>     | <b>\$ 65,703</b>                   |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b>\$ 408,335</b>    | <b>\$ 187,634</b>    | <b>\$ 1,931,941</b>  | <b>\$ 1,744,307</b>                |
| <b>FUND BALANCE - OCTOBER 1, 2017</b>           | <b>16,372,429</b>    | <b>16,372,429</b>    | <b>16,372,429</b>    |                                    |
| <b>FUND BALANCE - SEPTEMBER 30, 2018</b>        | <b>\$ 16,780,764</b> | <b>\$ 16,560,063</b> | <b>\$ 18,304,370</b> | <b>\$ 1,744,307</b>                |

\* This includes expenses related to community activities, recruiting, cell/phone/cable, postage, and printing as well as other miscellaneous expenses.

See accompanying independent auditor's report.

**BRUSHY CREEK**  
**MUNICIPAL UTILITY DISTRICT**  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2018

|  | Year Ended<br>December 31,<br>2017* | Year Ended<br>December 31,<br>2016* | Year Ended<br>December 31,<br>2015* | Year Ended<br>December 31,<br>2014* |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Total Pension Liability</b>                             |                                     |                                     |                                     |                                     |
| Service Cost   | \$ 294,923                          | \$ 295,387                          | \$ 267,011                          | \$ 250,979                          |
| Interest on Total Pension Liability                        | 342,882                             | 291,308                             | 263,305                             | 230,728                             |
| Effect of Plan Changes                                     | 4,376                               | -                                   | (55,460)                            | -                                   |
| Effect of Assumption Changes or Inputs                     | 512                                 | -                                   | 30,086                              | -                                   |
| Effect on Economic/Demographic (Gains) or Losses           | 44,864                              | (28,730)                            | (120,517)                           | (26,206)                            |
| Benefit Payments/Refunds of Contributions                  | <u>(66,783)</u>                     | <u>(75,753)</u>                     | <u>(54,772)</u>                     | <u>(42,950)</u>                     |
| Net Change in Total Pension Asset                          | 620,774                             | 482,212                             | 329,653                             | 412,551                             |
| Total Pension Liability, Beginning                         | <u>3,970,927</u>                    | <u>3,488,715</u>                    | <u>3,159,062</u>                    | <u>2,746,511</u>                    |
| <b>Total Pension Liability, Ending (a)</b>                 | \$ 4,591,701                        | \$ 3,970,927                        | \$ 3,488,715                        | \$ 3,159,062                        |
| <b>Fiduciary Net Position</b>                              |                                     |                                     |                                     |                                     |
| Employer Contributions                                     | \$ 173,616                          | \$ 142,204                          | \$ 140,561                          | \$ 141,860                          |
| Member Contributions                                       | 170,719                             | 147,347                             | 138,711                             | 129,947                             |
| Investment Income Net of Investment Expenses               | 596,801                             | 264,683                             | (66,405)                            | 199,976                             |
| Benefit Payments/Refunds of Contributions                  | (66,783)                            | (75,753)                            | (54,773)                            | (42,950)                            |
| Administrative Expenses                                    | (3,280)                             | (2,878)                             | (2,516)                             | (2,463)                             |
| Other  | <u>3,689</u>                        | <u>24,012</u>                       | <u>2,488</u>                        | <u>446</u>                          |
| Net Change in Fiduciary Net Position                       | 874,762                             | 499,615                             | 158,066                             | 426,816                             |
| Fiduciary Net Position, Beginning                          | <u>4,058,071</u>                    | <u>3,558,456</u>                    | <u>3,400,390</u>                    | <u>2,973,574</u>                    |
| <b>Fiduciary Net Position, Ending (b)</b>                  | \$ 4,932,833                        | \$ 4,058,071                        | \$ 3,558,456                        | \$ 3,400,390                        |
| <b>Net Pension Liability / (Asset), Ending = (a) - (b)</b> | \$ (341,132)                        | \$ (87,144)                         | \$ (69,741)                         | \$ (241,328)                        |
| Fiduciary Net Position as a % of Total Pension Liability   | 107.43 %                            | 102.19 %                            | 102.00 %                            | 107.64                              |
| <b>Pensionable Covered Payroll</b>                         | \$ 2,845,317                        | \$ 2,450,776                        | \$ 2,311,858                        | \$ 2,165,801                        |
| Net Pension Liability as a % of Covered Payroll            | (11.99) %                           | (3.56) %                            | (3.02) %                            | (11.14)                             |

\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT**  
Schedule of District Contributions  
September 30, 2018

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| Year Ending<br>December 31, | Actuarially<br>Determined<br>Contribution | Actual<br>Employer<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Pensionable<br>Covered<br>Payroll* | Actual<br>Contribution as<br>a % of Covered<br>Payroll |
|-----------------------------|---|------------------------------------|--|------------------------------------|--|
| 2008                        | \$ 82,817                                 | \$ 82,817                          | \$ -                                   | \$ 1,934,970                       | 4.3%   |
| 2009                        | 107,294                                   | 107,294                            | -                                      | 2,099,696                          | 5.1%   |
| 2010                        | 131,463                                   | 131,463                            | -                                      | 2,054,117                          | 6.4%   |
| 2011                        | 126,935                                   | 126,935                            | -                                      | 1,908,800                          | 6.6%   |
| 2012                        | 133,973                                   | 133,973                            | -                                      | 2,023,768                          | 6.6%   |
| 2013                        | 134,120                                   | 134,120                            | -                                      | 2,089,097                          | 6.4%   |
| 2014                        | 141,860                                   | 141,860                            | -                                      | 2,165,801                          | 6.6%   |
| 2015                        | 140,561                                   | 140,561                            | -                                      | 2,311,858                          | 6.1%   |
| 2016                        | 141,900                                   | 142,204                            | (304)                                  | 2,450,776                          | 5.8%   |
| 2017                        | 168,727                                   | 173,616                            | (4,889)                                | 2,845,317                          | 6.1%   |

\* Payroll is calculated based on contributions as reported to TCDRS.

**SUPPLEMENTARY INFORMATION  
REQUIRED BY THE WATER  
DISTRICT FINANCIAL  
MANAGEMENT GUIDE**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective March 1, 2018.

|   | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate per 1,000 Gallons over Minimum Use</u> | <u>Usage Levels</u>                     |
|---|-----------------------|----------------------|----------------------|--|---|
| <b>WATER:</b>   |                       |                      |                      |  |   |
| In-District   | \$ 14.50              |                      | Y                    | \$ 2.17 winter<br>\$ 2.85 summer               | Oct to May<br>Jun to Sep                |
| Out-of-District   | \$ 37.42              |                      | Y                    | \$ 2.17 winter<br>\$ 2.85 summer               | Oct to May<br>Jun to Sep                |
| <b>WASTEWATER:</b>                                      |                       |                      |                      |  |   |
| In-District   | \$ 6.00               |                      | N                    | \$ 2.70  | Per 1,000                               |
| Out-of-District   | \$ 12.00              |                      | N                    | \$ 10.80                                       | Per 1,000                               |
| <b>SURCHARGE:</b>                                       | N/A                   | N/A                  | N/A                  | N/A  | N/A                                     |
| District employs winter averaging for wastewater usage? |                       |                      |                      |  | <u>  X  </u><br>Yes <u>      </u><br>No |

Total charges per 10,000 gallons usage: In-District: Water: \$36.20-Winter, \$43.00-Summer; Wastewater: \$33.00  
Out-of-District: Water: \$59.12-Winter, \$65.92-Summer; Wastewater: \$120.00

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| <u>Meter Size</u>            | <u>Total<br/>Connections</u> | <u>Active<br/>Connections</u> | <u>ESFC<br/>Factor</u> | <u>Active<br/>ESFCs</u> |
|------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| 3/4"                         | <u>5,560</u>                 | <u>5,560</u>                  | x 1.0                  | <u>5,560</u>            |
| 1"                           | <u>37</u>                    | <u>37</u>                     | x 2.5                  | <u>93</u>               |
| 1½"                          | <u>37</u>                    | <u>37</u>                     | x 5.0                  | <u>185</u>              |
| 2"                           | <u>37</u>                    | <u>37</u>                     | x 8.0                  | <u>296</u>              |
| 3"                           | <u>4</u>                     | <u>4</u>                      | x 15.0                 | <u>60</u>               |
| 4"                           | <u>          </u>            | <u>          </u>             | x 25.0                 | <u>          </u>       |
| 6"                           | <u>1</u>                     | <u>1</u>                      | x 50.0                 | <u>50</u>               |
| 8"                           | <u>7</u>                     | <u>7</u>                      | x 80.0                 | <u>560</u>              |
| 10"                          | <u>          </u>            | <u>          </u>             | x 115.0                | <u>-</u>                |
| Total Water Connections      | <u><u>5,683</u></u>          | <u><u>5,683</u></u>           |                        | <u><u>6,804</u></u>     |
| Total Wastewater Connections | <u><u>5,592</u></u>          | <u><u>5,592</u></u>           | x 1.0                  | <u><u>5,592</u></u>     |

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into the System: 983,859,000      Water Accountability Ratio: 92%  
(Gallons billed /Gallons pumped)

Gallons billed to customers: 903,163,300

The water accountability ratio does not include fire hydrant flushing, water used in fire-fighting, loss due to water leaks identified, or other un-metered loss to the system.

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Williamson County

Is the District located within a city?

Entirely  Partly  Not at all

Cities in which District is located:

N/A

Is the District located within a city's extraterritorial 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

See accompanying independent auditor's report.



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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|   | <u>Parks &amp; Recreation</u> | <u>Utilities</u>           | <u>Administrative &amp;<br/>Other Services</u> | <u>Total</u>                |
|---|-------------------------------|----------------------------|--|-----------------------------|
| SALARY AND BENEFITS                         | \$ 2,181,556                  | \$ 843,325                 | \$ 1,236,427                                   | \$ 4,261,308                |
| PROFESSIONAL FEES:                          |                               |                            |  |                             |
| Auditing                                    |                               |                            | 39,000   | 39,000                      |
| Legal                                       |                               |                            | 112,648  | 112,648                     |
| Engineering                                 | 12,828                        | 90,820                     | 2,507  | 106,155                     |
| Financial Advisor                           |                               |                            | 20,000   | 20,000                      |
| PURCHASED SERVICES FOR RESALE -             |                               |                            |  |                             |
| Bulk Water and Wastewater Service Purchases |                               | 1,348,904                  |  | 1,348,904                   |
| CONTRACTED SERVICES -                       |                               |                            |  |                             |
| Other Contracted Services                   | 37,877                        | 45,801                     | 115,164  | 198,842                     |
| UTILITIES                                   | 137,239                       | 337,679                    | 149,556  | 624,474                     |
| REPAIRS AND MAINTENANCE                     | 689,508                       | 141,331                    | 46,021   | 876,860                     |
| ADMINISTRATIVE EXPENDITURES:                |                               |                            |  |                             |
| Director Fees                               |                               |                            | 25,650   | 25,650                      |
| Office Supplies                             | 2,588                         | 1,476                      | 32,086   | 36,150                      |
| Insurance                                   |                               |                            | 79,303   | 79,303                      |
| Other Administrative Expenses               | 677,127                       | 261,651                    | 37,843   | 976,621                     |
| CAPITAL OUTLAY:                             |                               |                            |  |                             |
| Capitalized Assets                          | 1,445,426                     | 796,917                    | 58,419   | 2,300,762                   |
| Expenditures Not Capitalized                |                               |                            |  |                             |
| TAP CONNECTION EXPENDITURES                 |                               | 8,917                      |  | 8,917                       |
| SOLID WASTE DISPOSAL                        | 5,656                         | 421                        | 1,231,709                                      | 1,237,786                   |
| OTHER EXPENDITURES                          |                               |                            | 198,761  | 198,761                     |
| DEBT SERVICE:                               |                               |                            |  |                             |
| Principal Payments                          |                               |                            | 405,000  | 405,000                     |
| Interest and Fiscal Charges                 |                               |                            | 163,323  | 163,323                     |
| <b>TOTAL EXPENDITURES</b>                   | <b><u>\$ 5,189,805</u></b>    | <b><u>\$ 3,877,242</u></b> | <b><u>\$ 3,953,417</u></b>                     | <b><u>\$ 13,020,464</u></b> |

Number of persons employed by the District:

47 Full-Time

106 Part-Time

(Does not include independent contractors or consultants; however, does include seasonal staff)

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
SEPTEMBER 30, 2018**

| Funds                               | Identification or<br>Certificate Number | Interest<br>Rate | Maturity<br>Date | Balance at<br>End of Year | Accrued<br>Interest<br>Receivable at<br>End of Year |
|-------------------------------------|---|------------------|------------------|---------------------------|---|
| <b><u>GENERAL FUND</u></b>          |   |                  |                  |                           |   |
| LOGIC                               | XXXX1002                                | Varies           | Daily            | \$ 169,506                | \$  |
| LOGIC                               | XXXX1003                                | Varies           | Daily            | 8,910                     |   |
| TexPool                             | XXXX0008                                | Varies           | Daily            | 1,132,962                 |   |
| TexPool                             | XXXX0001                                | Varies           | Daily            | 30,588                    |   |
| Certificate of Deposit              | XXXX7047                                | 2.210%           | 04/12/19         | 2,086,507                 |   |
| Money Market Fund                   | XXXX1901                                | Varies           | Daily            | 666,329                   |   |
| US Agencies                         | XXXX02T6                                | 2.375%           | 09/13/19         | 2,003,980                 |   |
| US Agencies                         | XXXX0JR2                                | 2.375%           | 12/13/19         | 1,007,020                 |   |
| US Agencies                         | XXXX8Y72                                | 0.875%           | 08/05/19         | 287,526                   |   |
| US Agencies                         | XXXXDBE1                                | 1.750%           | 01/02/19         | 2,497,850                 |   |
| US Agencies                         | XXXXP5A3                                | 1.720%           | 10/03/18         | 1,004,170                 |   |
| US Agencies                         | XXXX0RZ6                                | 1.430%           | 04/18/19         | 996,320                   |   |
| US Agencies                         | XXXX9NL7                                | 1.180%           | 05/24/19         | 990,100                   |   |
| Treasury Note                       | XXXX82B5                                | 0.750%           | 08/15/19         | 1,966,875                 |   |
| Treasury Note                       | XXXX8P95                                | 1.000%           | 03/15/19         | 494,727                   |   |
| Treasury Note                       | XXXX8WW6                                | 1.625%           | 07/31/19         | 1,983,828                 |   |
| <b>TOTAL GENERAL FUND</b>           |   |                  |                  | <b>\$ 17,327,198</b>      | <b>\$ - 0 -</b>                                     |
| <b><u>DEBT SERVICE FUND</u></b>     |   |                  |                  |                           |   |
| LOGIC                               | XXXX1001                                | Varies           | Daily            | \$ 130,557                | \$  |
| LOGIC                               | XXXX1013                                | Varies           | Daily            | 44,250                    |   |
| TexPool                             | XXXX0004                                | Varies           | Daily            | 270,958                   |   |
| US Agencies                         | XXXX0G23                                | 1.300%           | 04/29/19         | 1,686,564                 |   |
| US Agencies                         | XXXX0R39                                | 1.000%           | 10/24/19         | 784,936                   |   |
| Treasury Note                       | XXXX8M64                                | 1.250%           | 11/15/18         | 1,741,729                 |   |
| <b>TOTAL DEBT SERVICE FUND</b>      |   |                  |                  | <b>\$ 4,658,994</b>       | <b>\$ - 0 -</b>                                     |
| <b><u>CAPITAL PROJECTS FUND</u></b> |   |                  |                  |                           |   |
| LOGIC                               | XXXX1009                                | Varies           | Daily            | \$ 31,706                 | \$  |
| TexPool                             | XXXX0007                                | Varies           | Daily            | 23,864                    |   |
| US Agencies                         | XXXX8Y72                                | 0.875%           | 08/05/19         | 672,079                   |   |
| Treasury Note                       | XXXX8WS5                                | 1.625%           | 06/30/19         | 996,133                   |   |
| Treasury Note                       | XXXX8WW6                                | 1.625%           | 07/31/19         | 993,984                   |   |
| <b>TOTAL CAPITAL PROJECTS FUND</b>  |   |                  |                  | <b>\$ 2,717,766</b>       | <b>\$ - 0 -</b>                                     |
| <b>TOTAL - ALL FUNDS</b>            |   |                  |                  | <b>\$ 24,703,958</b>      | <b>\$ - 0 -</b>                                     |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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|                             | Maintenance Taxes |                  | Debt Service Taxes |                  |
|-----------------------------|-------------------|------------------|--------------------|------------------|
| TAXES RECEIVABLE -          |                   |                  |                    |                  |
| OCTOBER 1, 2017             | \$                | 22,933           | \$                 | 20,164           |
| Adjustments to Beginning    |                   |                  |                    |                  |
| Balance                     |                   | <u>(1,919)</u>   | \$                 | <u>21,014</u>    |
|                             |                   |                  | <u>1,699</u>       | \$               |
|                             |                   |                  |                    | <u>21,863</u>    |
| Original 2017 Tax Levy      | \$                | 5,904,939        | \$                 | 4,010,873        |
| Adjustment to 2017 Tax Levy |                   | <u>1,108</u>     | <u>5,906,047</u>   | <u>(280)</u>     |
|                             |                   |                  |                    | <u>4,010,593</u> |
| TOTAL TO BE                 |                   |                  |                    |                  |
| ACCOUNTED FOR               |                   | \$               | 5,927,061          | \$               |
|                             |                   |                  |                    | 4,032,456        |
| TAX COLLECTIONS:            |                   |                  |                    |                  |
| Prior Years                 | \$                | 527              | \$                 | 1,939            |
| Current Year                |                   | <u>5,894,380</u> | <u>5,894,907</u>   | <u>4,003,082</u> |
|                             |                   |                  |                    | <u>4,005,021</u> |
| TAXES RECEIVABLE -          |                   |                  |                    |                  |
| SEPTEMBER 30, 2018          |                   | <u>\$</u>        | <u>32,154</u>      | <u>\$</u>        |
|                             |                   |                  |                    | <u>27,435</u>    |
| TAXES RECEIVABLE BY         |                   |                  |                    |                  |
| YEAR:                       |                   |                  |                    |                  |
| 2017                        | \$                | 11,667           | \$                 | 7,511            |
| 2016                        |                   | 2,988            |                    | 6,075            |
| 2015                        |                   | 2,646            |                    | 3,900            |
| 2014                        |                   | 2,947            |                    | 3,203            |
| 2013                        |                   | 3,081            |                    | 3,081            |
| 2012                        |                   | 1,212            |                    | 1,212            |
| 2011                        |                   | 854              |                    | 1,282            |
| 2010 & Prior                |                   | <u>6,759</u>     |                    | <u>1,171</u>     |
| TOTAL                       | \$                | <u>32,154</u>    | \$                 | <u>27,435</u>    |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>PROPERTY VALUATIONS:</b>                                  |                     |                     |                     |                     |
| District-wide  | \$ 1,968,553,734    | \$ 1,795,727,604    | \$ 1,614,574,091    | \$ 1,492,797,990    |
| Defined Area   | \$ 452,999,890      | \$ 390,949,120      | \$ 321,159,259      | \$ 267,853,303      |
| <b>TAX RATES PER \$100<br/>VALUATION:</b>                    |                     |                     |                     |                     |
| Debt Service Tax Rate  | \$ 0.1600           | \$ 0.2950           | \$ 0.2800           | \$ 0.2500           |
| Maintenance Tax Rate   | <u>0.3000</u>       | <u>0.1700</u>       | <u>0.1900</u>       | <u>0.2300</u>       |
| District-wide  | \$ 0.4600           | \$ 0.4650           | \$ 0.4700           | \$ 0.4800           |
| Defined Area   | \$ 0.1900           | \$ 0.2250           | \$ 0.2700           | \$ 0.3500           |
| <b>ADJUSTED TAX LEVY</b>                                     | <u>\$ 9,916,640</u> | <u>\$ 9,259,726</u> | <u>\$ 8,448,244</u> | <u>\$ 7,930,625</u> |
| <b>PERCENTAGE OF TAXES<br/>COLLECTED TO TAXES<br/>LEVIED</b> |                     |                     |                     |                     |
|  | <u>99.81 %</u>      | <u>99.90 %</u>      | <u>99.92 %</u>      | <u>99.92 %</u>      |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | SERIES - 2005              |                                       |                     | DEFINED AREA<br>SERIES - 2009 |                                       |                   | REFUNDING<br>SERIES - 2009 |                                       |                     |
|---|----------------------------|---------------------------------------|---------------------|-------------------------------|---------------------------------------|-------------------|----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1    | Interest Due<br>December 1/<br>June 1 | Total             | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 570,000                 | \$ 34,950                             | \$ 604,950          | \$ 75,000                     | \$ 8,137                              | \$ 83,137         | \$ 210,000                 | \$ 61,319                             | \$ 271,319          |
| 2020  | 595,000                    | 17,850                                | 612,850             | 80,000                        | 4,200                                 | 84,200            | 215,000                    | 51,869                                | 266,869             |
| 2021  |                            |                                       |                     |                               |                                       |                   | 230,000                    | 43,269                                | 273,269             |
| 2022  |                            |                                       |                     |                               |                                       |                   | 240,000                    | 33,781                                | 273,781             |
| 2023  |                            |                                       |                     |                               |                                       |                   | 245,000                    | 23,281                                | 268,281             |
| 2024  |                            |                                       |                     |                               |                                       |                   | 265,000                    | 12,256                                | 277,256             |
| 2025  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2026  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2027  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2028  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2029  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2030  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2031  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2032  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2033  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2034  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2035  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2036  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2037  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2038  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
| 2039  |                            |                                       |                     |                               |                                       |                   |                            |                                       |                     |
|   | <u>\$ 1,165,000</u>        | <u>\$ 52,800</u>                      | <u>\$ 1,217,800</u> | <u>\$ 155,000</u>             | <u>\$ 12,337</u>                      | <u>\$ 167,337</u> | <u>\$ 1,405,000</u>        | <u>\$ 225,775</u>                     | <u>\$ 1,630,775</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | REFUNDING<br>SERIES-2010   |                                       |                      | DEFINED AREA<br>SERIES-2011 |                                       |                     | REFUNDING<br>SERIES-2011   |                                       |                     |
|---|----------------------------|---------------------------------------|----------------------|-----------------------------|---------------------------------------|---------------------|----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total                | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 1,215,000               | \$ 346,928                            | \$ 1,561,928         | \$ 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  |                            |                                       |                      |                             |                                       |                     |                            |                                       |                     |
| 2039  |                            |                                       |                      |                             |                                       |                     |                            |                                       |                     |
|   | <u>\$ 8,825,000</u>        | <u>\$ 1,507,128</u>                   | <u>\$ 10,332,128</u> | <u>\$ 1,950,000</u>         | <u>\$ 897,688</u>                     | <u>\$ 2,847,688</u> | <u>\$ 2,045,000</u>        | <u>\$ 456,768</u>                     | <u>\$ 2,501,768</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | REFUNDING<br>SERIES-2012   |                                       |                     | REFUNDING<br>SERIES-2013   |                                       |                     | DEFINED AREA<br>SERIES-2013 |                                       |                     |
|---|----------------------------|---------------------------------------|---------------------|----------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               |
| 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             |
| 2039  |                            |                                       |                     |                            |                                       |                     |                             |                                       |                     |
|   | <u>\$ 7,475,000</u>        | <u>\$ 1,516,500</u>                   | <u>\$ 8,991,500</u> | <u>\$ 6,010,000</u>        | <u>\$ 1,676,075</u>                   | <u>\$ 7,686,075</u> | <u>\$ 3,070,000</u>         | <u>\$ 1,753,930</u>                   | <u>\$ 4,823,930</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | DEFINED AREA REFUNDING<br>SERIES-2015 |                                       |                     | DEFINED AREA<br>SERIES-2015 |                                       |                     | UTILITY SYSTEM REVENUE NOTE<br>SERIES-2016 |                                       |                     |
|---|---------------------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|--|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1            | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1                 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 120,000                            | \$ 109,950                            | \$ 229,950          | \$ 100,000                  | \$ 106,556                            | \$ 206,556          | \$ 420,000                                 | \$ 152,672                            | \$ 572,672          |
| 2020  | 125,000                               | 107,550                               | 232,550             | 105,000                     | 104,556                               | 209,556             | 430,000                                    | 141,626                               | 571,626             |
| 2021  | 210,000                               | 103,800                               | 313,800             | 110,000                     | 102,456                               | 212,456             | 440,000                                    | 130,317                               | 570,317             |
| 2022  | 220,000                               | 97,500                                | 317,500             | 115,000                     | 99,156                                | 214,156             | 450,000                                    | 118,745                               | 568,745             |
| 2023  | 225,000                               | 90,900                                | 315,900             | 120,000                     | 95,706                                | 215,706             | 465,000                                    | 106,910                               | 571,910             |
| 2024  | 230,000                               | 84,150                                | 314,150             | 125,000                     | 92,106                                | 217,106             | 475,000                                    | 94,680                                | 569,680             |
| 2025  | 240,000                               | 77,250                                | 317,250             | 130,000                     | 88,356                                | 218,356             | 490,000                                    | 82,188                                | 572,188             |
| 2026  | 245,000                               | 70,050                                | 315,050             | 135,000                     | 84,456                                | 219,456             | 500,000                                    | 69,301                                | 569,301             |
| 2027  | 260,000                               | 62,394                                | 322,394             | 140,000                     | 80,406                                | 220,406             | 515,000                                    | 56,151                                | 571,151             |
| 2028  | 270,000                               | 53,944                                | 323,944             | 145,000                     | 76,206                                | 221,206             | 525,000                                    | 42,606                                | 567,606             |
| 2029  | 280,000                               | 44,494                                | 324,494             | 150,000                     | 71,494                                | 221,494             | 540,000                                    | 28,799                                | 568,799             |
| 2030  | 295,000                               | 34,694                                | 329,694             | 155,000                     | 66,619                                | 221,619             | 555,000                                    | 14,592                                | 569,592             |
| 2031  | 300,000                               | 24,000                                | 324,000             | 160,000                     | 61,581                                | 221,581             |  |                                       |                     |
| 2032  | 165,000                               | 12,750                                | 177,750             | 170,000                     | 56,381                                | 226,381             |  |                                       |                     |
| 2033  | 175,000                               | 6,562                                 | 181,562             | 175,000                     | 50,431                                | 225,431             |  |                                       |                     |
| 2034  |                                       |                                       |                     | 185,000                     | 44,306                                | 229,306             |  |                                       |                     |
| 2035  |                                       |                                       |                     | 190,000                     | 37,831                                | 227,831             |  |                                       |                     |
| 2036  |                                       |                                       |                     | 200,000                     | 31,181                                | 231,181             |  |                                       |                     |
| 2037  |                                       |                                       |                     | 205,000                     | 23,931                                | 228,931             |  |                                       |                     |
| 2038  |                                       |                                       |                     | 215,000                     | 16,500                                | 231,500             |  |                                       |                     |
| 2039  |                                       |                                       |                     | 225,000                     | 8,442                                 | 233,442             |  |                                       |                     |
|   | <u>\$ 3,360,000</u>                   | <u>\$ 979,988</u>                     | <u>\$ 4,339,988</u> | <u>\$ 3,255,000</u>         | <u>\$ 1,398,657</u>                   | <u>\$ 4,653,657</u> | <u>\$ 5,805,000</u>                        | <u>\$ 1,038,587</u>                   | <u>\$ 6,843,587</u> |

See accompanying independent auditor's report.



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

**ANNUAL REQUIREMENTS  
FOR ALL SERIES**

| Due During Fiscal<br>Years Ending<br>September 30 | Total<br>Principal Due | Total<br>Interest Due | Total<br>Principal and<br>Interest Due |
|---|------------------------|-----------------------|--|
| 2019  | \$ 3,115,000           | \$ 1,547,160          | \$ 4,662,160                           |
| 2020  | 3,240,000              | 1,444,704             | 4,684,704                              |
| 2021  | 3,360,000              | 1,331,525             | 4,691,525                              |
| 2022  | 3,490,000              | 1,214,161             | 4,704,161                              |
| 2023  | 3,620,000              | 1,091,305             | 4,711,305                              |
| 2024  | 3,805,000              | 963,245               | 4,768,245                              |
| 2025  | 3,925,000              | 842,500               | 4,767,500                              |
| 2026  | 4,060,000              | 719,776               | 4,779,776                              |
| 2027  | 4,280,000              | 574,490               | 4,854,490                              |
| 2028  | 4,430,000              | 432,928               | 4,862,928                              |
| 2029  | 1,240,000              | 285,102               | 1,525,102                              |
| 2030  | 1,290,000              | 243,470               | 1,533,470                              |
| 2031  | 760,000                | 199,372               | 959,372                                |
| 2032  | 800,000                | 168,421               | 968,421                                |
| 2033  | 835,000                | 133,383               | 968,383                                |
| 2034  | 375,000                | 96,806                | 471,806                                |
| 2035  | 390,000                | 80,831                | 470,831                                |
| 2036  | 410,000                | 64,181                | 474,181                                |
| 2037  | 425,000                | 46,431                | 471,431                                |
| 2038  | 445,000                | 28,000                | 473,000                                |
| 2039  | 225,000                | 8,442                 | 233,442                                |
|   | <u>\$ 44,520,000</u>   | <u>\$ 11,516,233</u>  | <u>\$ 56,036,233</u>                   |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

|   | <u>Unlimited Tax Series<br/>2005</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2009</u> | <u>Refunding<br/>Series 2009</u> | <u>Refunding<br/>Series 2010</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2011</u> | <u>Refunding<br/>Series 2011</u> |
|---|--------------------------------------|---|----------------------------------|----------------------------------|---|----------------------------------|
| Interest Rate   | 3.00%                                | 5.25%   | 4.000% - 4.625%                  | 2.50% - 4.00%                    | 4.00% - 5.00%   | 3.84%                            |
| 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                        |
| Maturity Date   | 6/1/2020                             | 6/1/2020  | 6/1/2024                         | 6/1/2026                         | 6/1/2033  | 6/1/2028                         |
| Bonds Outstanding at<br>Beginning of Current<br>Fiscal Year | \$ 1,165,000                         | \$ 225,000  | \$ 1,600,000                     | \$ 9,995,000                     | \$ 2,030,000  | \$ 2,055,000                     |
| Bonds Sold During the<br>Current Fiscal Year                | -                                    | -   | -                                | -                                | -   | -                                |
| Retirements During the<br>Current Fiscal Year:              |                                      |   |                                  |                                  |   |                                  |
| Refunded  | -                                    | -   | -                                | -                                | -   | -                                |
| Principal   | -                                    | (70,000)  | (195,000)                        | (1,170,000)                      | (80,000)  | (10,000)                         |
| Bonds Outstanding at End<br>of Current Fiscal Year          | <u>\$ 1,165,000</u>                  | <u>\$ 155,000</u>                                     | <u>\$ 1,405,000</u>              | <u>\$ 8,825,000</u>              | <u>\$ 1,950,000</u>                                   | <u>\$ 2,045,000</u>              |
| Interest Paid During the<br>Current Fiscal Year             | <u>\$ 34,950</u>                     | <u>\$ 11,813</u>                                      | <u>\$ 70,094</u>                 | <u>\$ 387,875</u>                | <u>\$ 92,650</u>                                      | <u>\$ 78,912</u>                 |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

|   | <u>Refunding<br/>Series 2012</u> | <u>Refunding<br/>Series 2013</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2013</u> | <u>Defined Area<br/>Refunding<br/>Series 2015</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2015</u> | <u>Utility System Revenue<br/>Note<br/>Series 2016</u> |
|---|----------------------------------|----------------------------------|---|---|---|--|
| Interest Rate   | 3.00%                            | 2.00% - 3.50%                    | 2.50% - 5.00%   | 2.00% - 3.75%                                     | 2.00% - 3.75%   | 2.63%  |
| 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  |
| Maturity Date   | 6/1/2028                         | 6/1/2028                         | 6/1/2038  | 6/1/2033  | 6/1/2039  | 6/1/2030   |
| Bonds Outstanding at<br>Beginning of Current<br>Fiscal Year | \$ 8,230,000                     | \$ 6,025,000                     | \$ 3,165,000  | \$ 3,475,000                                      | \$ 3,355,000  | \$ 6,210,000   |
| Bonds Sold During the<br>Current Fiscal Year                | -                                | -                                | -   | -   | -   | -  |
| Retirements During the<br>Current Fiscal Year:              |                                  |                                  |   |   |   |  |
| Refunded  | -                                | -                                | -   | -   | -   | -  |
| Principal   | <u>(755,000)</u>                 | <u>(15,000)</u>                  | <u>(95,000)</u>                                       | <u>(115,000)</u>                                  | <u>(100,000)</u>                                      | <u>(405,000)</u>                                       |
| Bonds Outstanding at End<br>of Current Fiscal Year          | <u>\$ 7,475,000</u>              | <u>\$ 6,010,000</u>              | <u>\$ 3,070,000</u>                                   | <u>\$ 3,360,000</u>                               | <u>\$ 3,255,000</u>                                   | <u>\$ 5,805,000</u>                                    |
| Interest Paid During the<br>Current Fiscal Year             | <u>\$ 246,900</u>                | <u>\$ 198,375</u>                | <u>\$ 138,920</u>                                     | <u>\$ 112,250</u>                                 | <u>\$ 108,556</u>                                     | <u>\$ 163,323</u>                                      |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

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|  | <u>Grand<br/>Total</u>                        |  |                        |
|--|---|--|------------------------|
| Bonds and Note Outstanding at Beginning of Current Fiscal Year                                   | \$ 47,530,000                                 |  |                        |
| Bond/Note Sold During the Current Fiscal Year  | -   |  |                        |
| Retirements During the Current Fiscal Year:  |   |  |                        |
| Refunded   | -   |  |                        |
| Principal  | <u>(3,010,000)</u>                            |  |                        |
| Bonds and Note Outstanding at End of Current Fiscal Year   | <u>\$ 44,520,000</u>                          |  |                        |
| Interest Paid During the Current Fiscal Year   | <u>\$ 1,644,618</u>                           |  |                        |
| Paying Agent:  | Series 2005, 2009, 2010, 2012, 2013, and 2015 | Wells Fargo Bank<br>Minneapolis,<br>Minnesota 55479                |                        |
|  | Series 2011                                   | BB&T Governmental<br>Finance<br>Charlotte, North<br>Carolina 28217 |                        |
| Bond Authority:  | <u>District Tax Bonds*</u>                    | <u>Defined Area<br/>Tax Bonds</u>                                  | <u>Refunding Bonds</u> |
| Amount Authorized by Voters  | \$ 74,100,000                                 | \$ 24,500,000  | \$ 77,469,998          |
| Amount Issued  | <u>72,000,000</u>                             | <u>13,785,000</u>  | <u>77,469,998</u>      |
| Remaining to be Issued   | <u>\$ 2,100,000</u>                           | <u>\$ 10,715,000</u>   | <u>\$ - 0 -</u>        |
| Debt Service Fund cash, cash with paying agent and investment balances as of September 30, 2018: |   |  | <u>\$ 5,186,440</u>    |
| Average annual debt service payment (principal and interest) for remaining term of all debt:     |   |  | <u>\$ 2,668,392</u>    |

See accompanying independent auditor's report.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**

|  | Amounts              |                      |                      |                      |                      | Percentage of Total Revenue |                |                |                |                |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------------|----------------|----------------|----------------|----------------|
|  | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 | 2018                        | 2017           | 2016           | 2015           | 2014           |
| <b>GENERAL FUND</b>                              |                      |                      |                      |                      |                      |                             |                |                |                |                |
| <b>REVENUES</b>                                  |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Water and Wastewater Service                     | \$ 5,385,725         | \$ 5,215,431         | \$ 5,226,780         | \$ 5,082,059         | \$ 5,077,406         | 36.1 %                      | 37.7 %         | 40.1 %         | 42.4 %         | 45.2 %         |
| Garbage Collection                               | 1,385,486            | 1,369,168            | 1,345,290            | 1,186,768            | 1,155,136            | 9.3                         | 9.9            | 10.3           | 9.9            | 10.3           |
| Inspection Fees                                  | 27,685               | 60,520               | 77,282               | 77,689               | 120,202              | 0.2                         | 0.4            | 0.6            | 0.6            | 1.1            |
| Tap and Other Connection Fees                    | 3,074                | 47,079               | 131,136              | 214,462              | 175,272              |                             | 0.3            | 1.0            | 1.8            | 1.6            |
| Park and Recreation Center Fees                  | 1,673,060            | 1,546,489            | 1,506,143            | 1,499,289            | 1,222,387            | 11.2                        | 11.2           | 11.5           | 12.5           | 10.9           |
| Property Taxes, Including Penalties and Interest | 5,903,594            | 5,281,267            | 4,523,775            | 3,653,155            | 3,203,128            | 39.6                        | 38.2           | 34.7           | 30.5           | 28.6           |
| Investment Earnings                              | 284,545              | 97,894               | 64,748               | 38,318               | 26,043               | 1.9                         | 0.7            | 0.5            | 0.3            | 0.2            |
| Other  | 256,933              | 219,957              | 153,096              | 233,971              | 231,349              | 1.7                         | 1.6            | 1.2            | 2.0            | 2.1            |
| Contributed Capital Assets                       |                      | 1,710                | 19,275               |                      |                      |                             |                | 0.1            |                |                |
| <b>TOTAL REVENUES</b>                            | <b>\$ 14,920,102</b> | <b>\$ 13,839,515</b> | <b>\$ 13,047,525</b> | <b>\$ 11,985,711</b> | <b>\$ 11,210,923</b> | <b>100.0 %</b>              | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> |
| <b>EXPENDITURES</b>                              |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Current:   |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Personnel (Including Benefits)                   | \$ 4,261,308         | \$ 3,908,287         | \$ 3,612,231         | \$ 3,281,080         | \$ 3,088,208         | 28.6 %                      | 28.1 %         | 27.7 %         | 27.3 %         | 27.4 %         |
| Purchased Services for Resale                    | 2,586,690            | 2,450,527            | 2,811,709            | 2,479,761            | 2,496,818            | 17.3                        | 17.7           | 21.5           | 20.7           | 22.3           |
| Administrative                                   | 1,047,338            | 971,001              | 887,623              | 984,333              | 1,173,831            | 7.0                         | 7.0            | 6.8            | 8.2            | 10.5           |
| Repairs and Maintenance                          | 876,860              | 1,122,722            | 989,729              | 907,746              | 656,193              | 5.9                         | 8.1            | 7.6            | 7.6            | 5.9            |
| Utilities  | 624,474              | 536,614              | 551,664              | 571,664              | 589,144              | 4.2                         | 3.9            | 4.2            | 4.8            | 5.3            |
| Professional Services                            | 564,091              | 561,744              | 497,795              | 376,133              | 452,731              | 3.8                         | 4.1            | 3.8            | 3.1            | 4.0            |
| Contracted Services                              | 190,618              | 378,744              | 233,267              | 366,192              | 383,313              | 1.3                         | 2.7            | 1.8            | 3.1            | 3.4            |
| Capital Outlay                                   | 2,300,762            | 1,865,489            | 3,025,806            | 2,466,902            | 1,457,914            | 15.4                        | 13.5           | 23.2           | 20.6           | 13.0           |
| Principal Payments                               | 405,000              | 395,000              | 335,000              | 374,934              | 85,731               | 2.7                         | 2.9            | 2.6            | 3.1            | 0.8            |
| Interest and Fiscal Charges                      | 163,323              | 173,711              | 69,460               | 25,943               | 25,080               | 1.1                         | 1.3            | 0.5            | 0.2            | 0.2            |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$ 13,020,464</b> | <b>\$ 12,363,839</b> | <b>\$ 13,014,284</b> | <b>\$ 11,834,688</b> | <b>\$ 10,408,963</b> | <b>87.3 %</b>               | <b>89.3 %</b>  | <b>99.7 %</b>  | <b>98.7 %</b>  | <b>92.8 %</b>  |
| <b>DEFICIENCY OF REVENUES</b>                    |                      |                      |                      |                      |                      |                             |                |                |                |                |
| <b>UNDER EXPENDITURES</b>                        | <b>\$ 1,899,638</b>  | <b>\$ 1,475,676</b>  | <b>\$ 33,241</b>     | <b>\$ 151,023</b>    | <b>\$ 801,960</b>    | <b>12.7 %</b>               | <b>10.7 %</b>  | <b>0.3 %</b>   | <b>1.3 %</b>   | <b>7.2 %</b>   |
| <b>OTHER FINANCING SOURCES</b>                   |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Sale of Capital Assets                           | \$ 32,303            | \$                   | \$                   | \$                   | \$                   | 0.2 %                       | %              | %              | %              | %              |
| Transfers In                                     |                      |                      |                      | 180,400              | 49,998               |                             |                |                | 1.5            | 0.4            |
| <b>TOTAL OTHER FINANCING SOURCES</b>             | <b>\$ 32,303</b>     | <b>\$ - 0 -</b>      | <b>\$ - 0 -</b>      | <b>\$ 180,400</b>    | <b>\$ 49,998</b>     | <b>0.2 %</b>                | <b>%</b>       | <b>%</b>       | <b>1.5 %</b>   | <b>0.4 %</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>                | <b>\$ 1,931,941</b>  | <b>\$ 1,475,676</b>  | <b>\$ 33,241</b>     | <b>\$ 331,423</b>    | <b>\$ 851,958</b>    | <b>12.9 %</b>               | <b>10.7 %</b>  | <b>0.3 %</b>   | <b>2.8 %</b>   | <b>7.6 %</b>   |

See accompanying independent auditor's report.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**

|   | Amounts             |                     |                     |                       |                       | Percentage of Total Revenue |                |                |                 |                 |
|---|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------------|----------------|----------------|-----------------|-----------------|
|   | 2018                | 2017                | 2016                | 2015                  | 2014                  | 2018                        | 2017           | 2016           | 2015            | 2014            |
| <b>DEBT SERVICE FUND</b>                              |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| <b>REVENUES</b>                                       |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Property Taxes, Including Penalties and Interest      | \$ 4,008,201        | \$ 3,921,140        | \$ 3,938,204        | \$ 4,289,373          | \$ 3,935,544          | 98.2 %                      | 98.7 %         | 99.3 %         | 100.0 %         | 99.6 %          |
| Investment Earnings                                   | 72,603              | 50,324              | 29,032              | 16,307                | 16,307                | 1.8                         | 1.3            | 0.7            | 0.4             | 0.4             |
| <b>TOTAL REVENUES</b>                                 | <b>\$ 4,080,804</b> | <b>\$ 3,971,464</b> | <b>\$ 3,967,236</b> | <b>\$ 4,289,373</b>   | <b>\$ 3,951,851</b>   | <b>100.0 %</b>              | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b>  | <b>100.0 %</b>  |
| <b>EXPENDITURES</b>                                   |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Principal Payments                                    | \$ 2,605,000        | \$ 2,510,000        | \$ 2,615,000        | \$ 3,255,000          | \$ 3,130,000          | 63.8 %                      | 63.1 %         | 66.0 %         | 75.9 %          | 79.2 %          |
| Interest and Fiscal Charges                           | 1,481,295           | 1,563,843           | 1,648,320           | 1,727,219             | 1,798,849             | 36.3                        | 39.4           | 41.5           | 40.3            | 45.5            |
| Tax Appraisal and Collection                          | 64,019              | 63,732              | 62,624              | 61,548                | 56,691                | 1.6                         | 1.6            | 1.6            | 1.4             | 1.4             |
| Bond Issuance Costs                                   | 6,530               | 6,575               | 9,453               | 291,471               | 6,325                 | 0.2                         | 0.2            | 0.2            | 6.8             | 0.2             |
| Other   | 6,530               | 31                  | 25                  | 12,261                | 44                    | 0.2                         | 0.2            | 0.2            | 0.3             | 0.2             |
| <b>TOTAL EXPENDITURES</b>                             | <b>\$ 4,156,944</b> | <b>\$ 4,144,181</b> | <b>\$ 4,335,422</b> | <b>\$ 5,347,499</b>   | <b>\$ 4,991,909</b>   | <b>101.9 %</b>              | <b>104.3 %</b> | <b>109.3 %</b> | <b>124.7 %</b>  | <b>126.3 %</b>  |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b>  | <b>\$ (76,140)</b>  | <b>\$ (172,717)</b> | <b>\$ (368,186)</b> | <b>\$ (1,058,126)</b> | <b>\$ (1,040,058)</b> | <b>(1.9) %</b>              | <b>(4.3) %</b> | <b>(9.3) %</b> | <b>(24.7) %</b> | <b>(26.3) %</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Transfers In  | \$ 517,760          | \$ -                | \$ 158,505          | \$ 209,500            | \$ 218,492            | 12.7 %                      | %              | 4.0 %          | 4.9 %           | 5.5 %           |
| Proceeds from the Sale of Capital Assets              |                     |                     |                     | 155,149               |                       |                             |                |                | 3.6             |                 |
| Proceeds of Refunding Bonds                           |                     |                     |                     | 3,625,000             |                       |                             |                |                | 84.5            |                 |
| Payment to Refunded Bond Escrow Agent                 |                     |                     |                     | (3,496,579)           |                       |                             |                |                | (81.5)          |                 |
| Discount on Bonds                                     |                     |                     |                     | (10,706)              |                       |                             |                |                | (0.2)           |                 |
| <b>TOTAL OTHER FINANCING SOURCES</b>                  | <b>\$ 517,760</b>   | <b>\$ -</b>         | <b>\$ 158,505</b>   | <b>\$ 482,364</b>     | <b>\$ 218,492</b>     | <b>12.7 %</b>               | <b>%</b>       | <b>4.0 %</b>   | <b>11.3 %</b>   | <b>5.5 %</b>    |
| <b>NET CHANGE IN FUND BALANCE</b>                     | <b>\$ 441,620</b>   | <b>\$ (172,717)</b> | <b>\$ (209,681)</b> | <b>\$ (575,762)</b>   | <b>\$ (821,566)</b>   | <b>10.8 %</b>               | <b>(4.3) %</b> | <b>(5.3) %</b> | <b>(13.4) %</b> | <b>(20.8) %</b> |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>      | <b>5,683</b>        | <b>5,673</b>        | <b>5,574</b>        | <b>5,699</b>          | <b>5,628</b>          |                             |                |                |                 |                 |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b> | <b>5,592</b>        | <b>5,615</b>        | <b>5,463</b>        | <b>5,490</b>          | <b>5,403</b>          |                             |                |                |                 |                 |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

District Mailing Address - 16318 Great Oaks Drive  
Round Rock, Texas 78681

District Telephone Number - (512) 255-7871

| <b>Board Members</b> | Term of<br>Office<br>(Elected or<br>Appointed) | Fees of Office<br>for the<br>year ended<br>September 30,<br>2018 | Expense<br>Reimbursements<br>for the<br>year ended<br>September 30,<br>2018 | Title                                |
|----------------------|--|--|---|--------------------------------------|
| Shean Dalton         | 11/18<br>11/22<br>(Elected)                    | \$ 4,350   | \$ -  | President                            |
| Donna B. Parker      | 11/16<br>11/20<br>(Elected)                    | \$ 6,300   | \$ -  | Vice<br>President                    |
| Rebecca B. Tullos    | 11/18<br>11/22<br>(Elected)                    | \$ 7,200   | \$ -  | Treasurer                            |
| Kim Filiatrault      | 11/18<br>11/22<br>(Elected)                    | \$ 4,200   | \$ -  | Secretary                            |
| Michael Tucker       | 11/16<br>11/20<br>(Elected)                    | \$ 3,600   | \$ -  | Assistant<br>Secretary/<br>Treasurer |

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): March 10, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

|  | <u>Date Hired</u> | <u>Fees for the<br/>year ended<br/>September 30,<br/>2018</u> | <u>Title</u>               |
|--|-------------------|---|----------------------------|
| <b>Consultants:</b>                      |                   |   |                            |
| McLean & Howard, LLP                     | 2017              | \$ 100,890  | Attorney                   |
| Weaver and Tidwell, LLP                  | 2016              | \$ 31,500   | Former Auditor             |
| Robert W. Baird & Co.                    | 2015              | \$ -  | Financial Advisor          |
| MRB Group                                | 2013              | \$ 142,750  | Engineer                   |
| Patterson & Associates                   | 2008              | \$ 20,000   | Investment Advisor         |
| Williamson County Tax Assessor-Collector | 1981              | \$ 1,914  | Tax Assessor/<br>Collector |

See accompanying independent auditor's report.



**OTHER SUPPLEMENTARY  
INFORMATION**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>District-Wide Area</u>             | <u>Tax Roll Year</u>  |                       |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
|                                       | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           |
| <u>Taxpayer</u>                       |                       |                       |                       |
| Landing at Round Rock Acquisition LLC | \$ 89,491,083         | -                     | -                     |
| CWS Brushy Creek LP                   | 51,781,360            | 49,490,177            | 41,210,127            |
| IVQ Round Rock LP                     | 11,756,288            | -                     | -                     |
| Highland 620 Land Investment Ltd.     | 9,130,857             | 11,745,923            | 16,094,761            |
| Barclay/Texas Holdings 6 LP           | 9,043,666             | 8,641,767             | 8,743,176             |
| H. E. Butt Inc.                       | 8,393,221             | 8,324,952             | 8,265,742             |
| Great American Storage Partners LLC   | 7,178,870             | 6,718,233             | 6,563,850             |
| Atmos Energy/Mid-Tex Distribution     | 7,064,379             | 5,990,806             | 4,090,544             |
| Homeowner                             | 6,897,002             | 5,790,375             | 4,773,439             |
| MGP, XXII LLC                         | 5,200,000             | 5,000,000             | 5,301,539             |
| Dedicated OConnor RR LP               | -                     | 79,659,585            | 85,000,000            |
| MS Round Rock LLC                     | -                     | 5,071,275             | -                     |
| Standard Pacific of Texas Inc.        | -                     | -                     | 10,058,617            |
| Total                                 | <u>\$ 205,936,726</u> | <u>\$ 186,433,093</u> | <u>\$ 190,101,795</u> |
| Percent of Assessed Valuation         | <u>9.85%</u>          | <u>9.47%</u>          | <u>10.59%</u>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>Defined Area</u>                      | <u>Tax Roll Year</u> |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          |
| <u>Taxpayer</u>                          |                      |                      |                      |
| IVQ Round Rock LP                        | \$ 11,756,288        | -                    | -                    |
| Highland 620 Land Investment Ltd.        | 9,130,857            | 11,745,923           | 16,094,761           |
| Great Oaks Physicians Holding Company LP | 3,435,319            | 1,306,265            | -                    |
| First Star Bank SSB                      | 3,345,774            | 3,241,257            | 3,134,061            |
| LIDL US Operations LLC                   | 3,170,844            | -                    | -                    |
| Saiba Holdings LLC                       | 2,753,595            | 2,238,530            | -                    |
| TDE Investments LLC                      | 2,676,815            | -                    | -                    |
| Cuchara Investment Group Ltd.            | 2,520,055            | 2,396,399            | 599,507              |
| Hatch House Management Company LLC       | 2,303,542            | 2,126,001            | 2,030,088            |
| Homeowner                                | 785,185              | -                    | -                    |
| MS Round Rock LLC                        | -                    | 5,071,275            | -                    |
| CalAtlantic Homes of Texas Inc.          | -                    | 1,934,197            | 2,984,174            |
| Standard Pacific of Texas Inc.           | -                    | 1,647,214            | 10,058,617           |
| Homeowner                                | -                    | 738,306              | -                    |
| Homeowner                                | -                    | -                    | 621,443              |
| Homeowner                                | -                    | -                    | 602,274              |
| Homeowner                                | -                    | -                    | 582,792              |
| Homeowner                                | -                    | -                    | 558,624              |
| <b>Total</b>                             | <b>\$ 41,878,274</b> | <b>\$ 32,445,367</b> | <b>\$ 37,266,341</b> |
| <b>Percent of Assessed Valuation</b>     | <b>8.47%</b>         | <b>7.16%</b>         | <b>9.53%</b>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
ASSESSED VALUE BY CLASSIFICATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| District-Wide Area                    | Tax Roll Year           |               |                         |               |                         |               |
|---------------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
|                                       | 2018                    |               | 2017                    |               | 2016                    |               |
|                                       | Amount                  | %             | Amount                  | %             | Amount                  | %             |
| Type of Property                      |                         |               |                         |               |                         |               |
| Single Family                         | \$ 1,800,055,570        | 86.1%         | \$ 1,713,290,464        | 86.9%         | \$ 1,551,841,937        | 86.4%         |
| Multi-Family                          | 150,685,331             | 7.2           | 137,124,452             | 7.0           | 132,630,229             | 7.4           |
| Vacant Platted Lots/Tracts            | 13,701,425              | 0.7           | 13,637,370              | 0.7           | 17,960,815              | 1.0           |
| Acreage (Land Only)                   | -                       | 0.0           | 10,723                  | 0.0           | 10,723                  | 0.0           |
| Farm and Ranch Improvement            | 10,723                  | 0.0           | -                       | 0.0           | -                       | 0.0           |
| Commerical                            | 118,215,190             | 5.7           | 102,106,646             | 5.2           | 94,794,886              | 5.3           |
| Real & Intangible Personal, Utilities | 10,527,800              | 0.5           | 9,337,219               | 0.5           | 9,338,706               | 0.5           |
| Tangible Personal Business            | 25,272,197              | 1.2           | 23,362,675              | 1.2           | 11,516,158              | 0.6           |
| Real Inventory                        | 405,000                 | 0.0           | 10,899,730              | 0.6           | 29,018,275              | 1.6           |
| Exempt                                | (28,730,499)            | (1.4)         | (41,215,545)            | (2.1)         | (51,384,125)            | (2.8)         |
| Total                                 | <u>\$ 2,090,142,737</u> | <u>100.0%</u> | <u>\$ 1,968,553,734</u> | <u>100.0%</u> | <u>\$ 1,795,727,604</u> | <u>100.0%</u> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
ASSESSED VALUE BY CLASSIFICATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| Defined Area                          | Tax Roll Year         |               |                       |               |                       |               |
|---------------------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|                                       | 2018                  |               | 2017                  |               | 2016                  |               |
|                                       | Amount                | %             | Amount                | %             | Amount                | %             |
| Type of Property                      |                       |               |                       |               |                       |               |
| Single Family                         | \$ 454,520,298        | 92.0%         | \$ 419,863,648        | 92.7%         | \$ 348,888,711        | 89.2%         |
| Vacant Platted Lots/Tracts            | 12,370,189            | 2.5           | 12,367,123            | 2.7           | 16,690,568            | 4.3           |
| Farm and Ranch Improvement            | 9,100                 | 0.0           | -                     | 0.0           | -                     | 0.0           |
| Acreage                               | -                     | 0.0           | 9,100                 | 0.0           | 9,100                 | 0.0           |
| Commerical                            | 28,791,388            | 5.8           | 13,412,862            | 3.0           | 5,164,149             | 1.3           |
| Real & Intangible Personal, Utilities | 386,986               | 0.1           | 383,288               | 0.1           | 261,185               | 0.1           |
| Tangible Personal Business            | 4,143,524             | 0.8           | 1,402,601             | 0.3           | 1,507,966             | 0.4           |
| Real Inventory                        | 405,000               | 0.1           | 9,507,256             | 2.1           | 27,326,800            | 7.0           |
| Exempt                                | (6,401,867)           | (1.3)         | (3,945,988)           | (0.9)         | (8,899,359)           | (2.3)         |
| Total                                 | <u>\$ 494,224,618</u> | <u>100.0%</u> | <u>\$ 452,999,890</u> | <u>100.0%</u> | <u>\$ 390,949,120</u> | <u>100.0%</u> |

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

*[An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Certificates, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,740,000\***

**AS BOND COUNSEL FOR THE 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 30, 2019, authorizing the issuance of the Bonds and the pricing certificate executed by 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 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.

\*Preliminary, subject to change.

600 Congress Ave.  
Suite 1800  
Austin, Texas 78701  
T 512.478.3805  
F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

Two Allen Center  
1200 Smith Street, Suite 1550  
Houston, Texas 77002  
T 713.980.0500  
F 713.980.0510

700 N. St. Mary's Street  
Suite 1525  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984



**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. 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 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 sufficiency report of Robert Thomas CPA, LLC, and on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, 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. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning 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.

**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



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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 JUNE 26, 2019**

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

The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings..... "AA-"

**\$6,605,000**

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

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

**UNLIMITED TAX REFUNDING BONDS**

**SERIES 2019**

Dated: July 1, 2019

Due: June 1, as shown on inside cover

The \$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds"), are obligations of Brushy Creek Municipal Utility District (the "District") and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Wells Fargo Bank, N.A. (the "Paying Agent/Registrar"). Interest accrues from July 1, 2019, and is payable December 1, 2019, and on each June 1 and December 1 thereafter (each an "Interest Payment Date") until maturity. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.**

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its legal counsel The Muller Law Group, PLLC, Sugar Land, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about July 31, 2019.

**RAYMOND JAMES**

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

| Maturity<br>(June 1) (a) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) | Maturity<br>(June 1) (a) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) |
|--------------------------|---------------------|------------------|------------------------------------|---------------------|--------------------------|---------------------|------------------|------------------------------------|---------------------|
| 2021                     | \$1,535,000         | 3.000%           | 1.650%                             | 117464 ST5          | ****                     | ****                | ****             | ****                               | ****                |
| 2022                     | 1,585,000           | 3.000%           | 1.700%                             | 117464 SU2          | 2025                     | \$200,000           | 3.000%           | 1.930%                             | 117464 SW8          |
| 2023                     | 1,385,000           | 3.000%           | 1.750%                             | 117464 SV0          | 2026                     | 1,900,000           | 4.000%           | 2.020%                             | 117464 SX6          |

(a) The Bonds are not subject to redemption prior to maturity.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. Accrued interest from July 1, 2019, is to be added to the price.

(c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

## 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 or the Underwriter.

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

The Financial Advisor (herein defined) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Brushy Creek Municipal Utility District (the "District") of its \$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001. The District operates pursuant to Article 16, Section 59 and Chapters 49 and 54 of the Texas Water Code, as amended.

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

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

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

### **Underwriting**

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$6,962,413.02 (being the par amount of the Bonds, plus a net original issue premium on the Bonds of \$408,548.30, and less an underwriter's discount of \$51,135.28), 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.

The following statement is provided by the Underwriter: In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

### **Prices and Marketability**

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities 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.

### **Delivery of Official Statements**

The District shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Underwriter. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may reasonably request prior to the 90<sup>th</sup> day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Underwriter and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

### **RATING**

S&P Global Ratings ("S&P") has assigned credit rating of "AA-" to the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P 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. 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 S&P, if in its 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 S&P.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

*[Remainder of this page intentionally left blank]*

## 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 this entire Official Statement and of the documents summarized or described herein.

### THE BONDS

- The District.....Brushy Creek Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Williamson County, Texas. See "THE DISTRICT."
- The Bonds.....The District's \$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds") are dated July 1, 2019, and mature on June 1 in each of the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from July 1, 2019, at the rates set forth on the inside cover page hereof and is payable December 1, 2019, and each June 1 and December 1 thereafter until maturity. See "THE BONDS."
- No Redemption of the Bonds .....The Bonds are not subject to redemption prior to maturity.
- Book-Entry-Only System.....The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Well Fargo Bank, N.A. (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."
- Source of Payment.....The Bonds are payable from the proceeds of a continuing, direct ad valorem tax, unlimited as to rate or amount, levied annually by the District against all taxable property located within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District. See "THE BONDS - Source of Payment."
- Payment Record.....The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.
- Authority for Issuance.....The Bonds are issued pursuant to the Bond Order adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001. The District operates pursuant to Article 16, Section 59 and Chapters 49 and 54 of the Texas Water Code, as amended.
- Remaining Outstanding Bonds.....The District has previously issued nineteen (19) series of bonds supported by the proceeds of a continuing, direct ad valorem tax,



unlimited as to rate or amount, levied annually by the District upon taxable property located within the entirety of the District. Of such series of bonds previously issued by the District, \$17,380,000 principal amount of unlimited tax bonds will remain outstanding (the "Remaining Outstanding Bonds") following the refunding of the Refunded Bonds (hereinafter defined). See "PLAN OF FINANCING - Remaining Outstanding Bonds" and "THE BONDS - Previously Issued and Remaining Outstanding Bonds."

Other Outstanding Debt ..... The District has also previously issued six (6) series of unlimited tax bonds that are secured solely by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined), which, as of June 2, 2019, \$11,320,000 principal amount remains outstanding. Defined Area Bonds (herein defined) are payable solely from the proceeds of taxes levied upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the entire District, including the Defined Area. In addition, the District has previously issued certain debt obligations, paid solely from revenues from operation of the District's utility systems revenues, of which \$5,385,000 principal amount remains outstanding as of June 2, 2019. See "THE BONDS - Previously Issued and Remaining Outstanding Bonds."

Use of Proceeds ..... Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to achieve a debt service savings by currently refunding \$6,810,000 principal amount of the following two (2) series of bonds previously issued by the District: \$7,975,000 Unlimited Tax Refunding Bonds, Series 2009, and \$17,190,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Refunded Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements. See "PLAN OF FINANCING."

Municipal Bond Rating ..... S&P Global Ratings has assigned a rating of "AA-" to the Bonds. See "RATING" above.

Not Qualified Tax-Exempt Obligations ..... The Bonds have not been designated "qualified tax-exempt obligations" for financial institutions.

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P., Austin, Texas. See "LEGAL MATTERS."

General Counsel ..... McLean & Howard, LLP, Austin, Texas.

Underwriter's Counsel ..... The Muller Law Group, PLLC, Sugar Land, Texas.

Financial Advisor ..... Robert W. Baird & Co. Incorporated, Houston, Texas.

**THE DISTRICT**

Description ..... The District, which was originally created as Williamson County Municipal Utility District No. 2, is located in Williamson County, Texas, and is a political subdivision of the State of Texas created in 1977 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), 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."

Location.....The District currently contains approximately 2,270 acres of land and is located approximately 1.5 miles west of the City of Round Rock, Texas ("Round Rock" or "City"), and approximately 19 miles north of the City of Austin, Texas. Approximately 416,683 acres within the District are part of the Sendero Springs and Cornerstone Defined Area, referred to herein as the "Defined Area." The District lies within the extraterritorial jurisdiction of Round Rock and within the boundaries of Williamson County and Round Rock Independent School District. See "THE DISTRICT - General."

Status of Development.....Development of lands within the District is complete. Approximately 1,957 acres have been developed as various subdivisions that include single-family residential, multi-family residential, commercial, and retail properties. Improvements within the single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction. Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools, three churches and a 9-acre reserve. In addition, the District contains 60 acres of parks, and 131 acres of greenbelts and flood plain acres. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land. See "STATUS OF DEVELOPMENT."

**INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

|  |                          |
|--|--------------------------|
| 2018 Taxable Assessed Valuation.....                               | \$ 2,089,546,784 (a)     |
| 2019 Preliminary Valuation .....                                   | \$ 2,207,794,437 (b)     |
| <b>Direct Debt:</b>  |                          |
| The Remaining Outstanding Bonds .....                              | \$ 17,380,000            |
| The Bonds .....  | <u>\$ 6,605,000</u>      |
| Total.....   | \$ 23,985,000            |
| Estimated Overlapping Debt.....                                    | <u>\$ 88,344,831 (c)</u> |
| Total Direct and Estimated Overlapping Debt .....                  | \$ 112,329,831 (c)       |
| <b>Direct Debt Ratios:</b>   |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 1.15 %                   |
| As a percentage of the 2019 Preliminary Valuation .....            | 1.09 %                   |
| <b>Direct and Estimated Overlapping Debt Ratios:</b>               |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 5.38 %                   |
| As a percentage of the 2019 Preliminary Valuation .....            | 5.09 %                   |
| District Debt Service Fund Balance (as of March 31, 2019).....     | \$7,941,029 (d)          |
| Defined Area Debt Service Fund Balance (as of March 31, 2019)..... | \$2,422,720 (e)          |
| General Operating Fund Balance (as of March 31, 2019) .....        | \$18,304,369             |

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- (a) Represents the taxable assessed valuation as of January 1, 2018, of all taxable property in the District, as certified by the Williamson Central Appraisal District ("WCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the WCAD. This preliminary value is subject to protest by the owners of taxable property in the District and is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by the WCAD. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Includes all \$11,320,000 principal amount of Defined Area Bonds (herein defined) outstanding as of June 2, 2019, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT - Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Amounts on deposit in this fund are reserved for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District.
- (e) Amounts on deposit in this fund are reserved for payment of debt service on Defined Area Bonds and may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds.

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

|   |                 |
|---|-----------------|
| 2018 Tax Rate per \$100 of Taxable Assessed Valuation                         |                 |
| Debt Service .....  | \$0.14 (a)      |
| Maintenance and Operation.....  | <u>\$0.32</u>   |
| Total.....  | \$0.46          |
| Average Annual Debt Service Requirement (2019–2028) .....                     | \$2,816,159 (b) |
| Maximum Annual Debt Service Requirement (2028).....                           | \$3,284,079 (b) |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay |                 |
| Average Annual Debt Service Requirement (2019–2028)                           |                 |
| Based on the 2018 Taxable Assessed Valuation at 95% Tax Collections .....     | \$0.15          |
| Based on the 2019 Preliminary Valuation at 95% Tax Collections.....           | \$0.14          |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay |                 |
| Maximum Annual Debt Service Requirement (2028)                                |                 |
| Based on the 2018 Taxable Assessed Valuation at 95% Tax Collections .....     | \$0.17          |
| Based on the 2019 Preliminary Valuation at 95% Tax Collections.....           | \$0.16          |

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- (a) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, for payment of debt service on the Remaining Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds. See "DISTRICT DEBT – Estimated Overlapping Taxes."
- (b) Represents debt service requirements on the Remaining Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

## INTRODUCTION

This Official Statement of Brushy Creek Municipal Utility District (the "District") is provided to furnish information with respect to the issuance by the District of its \$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001.

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Order, and certain information about the District and its finances. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from McCall, Parkhurst & Horton L.L.P., 600 Congress Avenue, Suite 1800, Austin, Texas 78701, upon payment of the costs of duplication therefor.

## PLAN OF FINANCING

### Use of Proceeds

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to currently refund \$6,810,000 principal amount of the following two (2) series of bonds previously issued by the District: \$7,975,000 Unlimited Tax Refunding Bonds, Series 2009 ("Series 2009 Refunding Bonds"), and \$17,190,000 Unlimited Tax Refunding Bonds, Series 2010 ("Series 2010 Refunding Bonds") (collectively, the "Refunded Bonds"). Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

### The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

| <u>Series 2009 Refunding Bonds</u> |                      | <u>Series 2010 Refunding Bonds</u> |                      |
|------------------------------------|----------------------|------------------------------------|----------------------|
| <u>Principal Amount</u>            | <u>Maturity Date</u> | <u>Principal Amount</u>            | <u>Maturity Date</u> |
| \$230,000                          | 06/01/2021           | \$1,320,000                        | 06/01/2021           |
| <u>240,000</u>                     | 06/01/2022           | 1,375,000                          | 06/01/2022           |
| \$470,000                          |                      | 1,430,000                          | 06/01/2023           |
|                                    |                      | <u>2,215,000</u>                   | 06/01/2026           |
|                                    |                      | \$6,340,000                        |                      |

Total Principal Amount of the Refunded Bonds: \$6,810,000

Redemption Date: July 31, 2019

## Remaining Outstanding Bonds

The District has previously issued nineteen (19) series of bonds supported by the proceeds of a continuing, direct ad valorem tax, unlimited as to rate or amount, levied annually by the District upon all taxable property located within the entirety of the District. Of such nineteen (19) series of bonds previously issued by the District, six (6) series of bonds, as shown in the table below, continue to have principal outstanding, and, following the refunding of the Refunded Bonds, \$17,380,000 principal amount of unlimited tax bonds will remain outstanding (the "Remaining Outstanding Bonds").

The following table lists the principal amounts of the Remaining Outstanding Bonds.

| Series | Original<br>Principal<br>Amount | Principal<br>Currently<br>Outstanding | Less:<br>Refunded<br>Bonds | Remaining<br>Outstanding<br>Bonds |
|--------|---------------------------------|---------------------------------------|----------------------------|-----------------------------------|
| 2005   | \$9,500,000                     | \$595,000                             | -                          | \$595,000                         |
| 2009   | 7,975,000                       | 685,000                               | \$470,000                  | 215,000                           |
| 2010   | 17,190,000                      | 7,610,000                             | 6,340,000                  | 1,270,000                         |
| 2011   | 2,085,000                       | 1,870,000                             |                            | 1,870,000                         |
| 2012   | 9,260,000                       | 7,435,000                             | -                          | 7,435,000                         |
| 2013   | <u>6,125,000</u>                | <u>5,995,000</u>                      | <u>-</u>                   | <u>5,995,000</u>                  |
| Total  | \$52,135,000                    | \$24,190,000                          | \$6,810,000                | \$17,380,000                      |

## Payment of Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., the paying agent for the Refunded Bonds. The Bond Order provides that, from the proceeds of the sale of the Bonds and other lawfully available funds of the District, the District will deposit with the paying agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the paying agent for the Refunded Bonds in a segregated payment account (the "Payment Account").

At the time of delivery of the Bonds, Robert Thomas CPA, LLC will verify to the District, the paying agent for the Refunded Bonds, Bond Counsel, and Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the cash with the paying agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior orders of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

## Sources and Uses of Funds

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

### SOURCES OF FUNDS:

|                                     |                  |
|-------------------------------------|------------------|
| Principal Amount of the Bonds.....  | \$6,605,000.00   |
| Net Premium.....                    | 408,548.30       |
| Debt Service Fund Transfer .....    | 60,000.00        |
| Accrued Interest on the Bonds ..... | <u>18,095.83</u> |
| Total Sources of Funds .....        | \$7,091,644.13   |

### USES OF FUNDS:

|   |                   |
|---|-------------------|
| Deposit for Payment of Refunded Bonds .....           | \$6,855,597.92    |
| Deposit of Accrued Interest to Debt Service Fund..... | 18,095.83         |
| Issuance Expenses and Underwriter's Discount.....     | <u>217,950.38</u> |
| Total Uses of Funds.....                              | \$7,091,644.13    |

## THE BONDS

### General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to McCall, Parkhurst & Horton L.L.P., 600 Congress Avenue, Suite 1800, Austin, Texas 78701.

The Bonds are dated July 1, 2019, with interest payable on December 1, 2019, and each June 1 and December 1 thereafter (each an "Interest Payment Date") until maturity. The Bonds are fully registered bonds maturing on June 1 of the years shown on the inside cover page of this Official Statement. The Bonds are not subject to redemption prior to maturity.

Principal of the Bonds will be payable to the registered owners of the Bonds ("Registered Owners") at maturity upon presentation at the principal payment office of the paying agent/registrar, initially, Wells Fargo Bank, N. A. (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are 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, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

### No Redemption of the Bonds

The Bonds are not subject to redemption prior to maturity.

### Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee 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 and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be



governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

#### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar. 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 Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the

Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, 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 to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

#### **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

#### **Authority for Issuance**

Pursuant to the election held within the District on November 6, 2001, the District has previously issued \$37,000,000 of ad valorem tax bonds and has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds. Following the issuance of the Bonds, \$52,854,641 of remaining voted authorization of refunding bonds will remain authorized but unissued. See “– Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Order, a pricing certificate executed by the pricing officer on the date of the sale of the Bonds as authorized by the Bond Order, and pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an election held within the District on November 6, 2001.

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

The Bonds are payable from the proceeds of a continuing, direct ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the entirety District. In the Bond Order, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Williamson Central Appraisal District (the “Appraisal District”). Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Remaining Outstanding Bonds, any additional bonds payable from the proceeds of taxes levied upon the entirety of the District that the District may hereafter issue, and fees of the Paying Agent/Registrar. The pledge of taxes terminates when and if a city annexes and dissolves the District and assumes all debts and liabilities of the District. See “THE BONDS – Annexation.”

The Bonds are obligations solely 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.

#### **Payment Record**

The District has never defaulted on the timely payment of principal and interest on its prior bonded indebtedness.

## **Previously Issued and Remaining Outstanding Bonds**

The District has previously issued the following series of bonds: \$2,540,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1978 (the "Series 1978 Bonds"); \$1,000,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1981 (the "Series 1981 Bonds"); \$1,000,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1983 (the "Series 1983 Bonds"); \$6,100,000 Williamson County Municipal Utility District No. 2 Combination Unlimited Tax and Revenue Bonds, Series 1988 (the "Series 1988 Bonds"); \$9,150,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1995 (the "Series 1995 Bonds"); \$3,700,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1996 (the "Series 1996 Bonds"); \$4,235,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1997 (the "Series 1997 Bonds"); \$27,500,000 Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"); \$3,285,000 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the "Series 2004 Bonds"); and \$9,500,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds").

In addition, the District issued the following series of bonds to refund a portion of previously outstanding bonds: \$7,579,998.25 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1994 (the "Series 1994 Refunding Bonds"); \$13,250,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue and Refunding Bonds, Series 2001 (the "Series 2001 Refunding Bonds"); \$3,245,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Refunding Bonds, Taxable Bonds, Series 2001 (the "Taxable Series 2001 Refunding Bonds"); \$7,840,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2007 (the "Series 2007 Refunding Bonds"); \$7,975,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 (the "Series 2009 Refunding Bonds"); \$17,190,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"); \$2,085,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"); \$9,260,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"); and \$6,125,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds").

Following the refunding of the Refunded Bonds, \$17,380,000 in principal amount of bonds previously issued will remain outstanding (the "Remaining Outstanding Bonds" as previously defined herein).

The District has also issued the following obligations, which are paid solely from revenues from operation of the District's utility systems: \$1,500,000 Brushy Creek Municipal Utility District Revenue Bonds, Series 2002, of which no principal amount of bonds remains outstanding and \$6,940,000 Brushy Creek Municipal Utility District Utility System Revenue Note, Series 2016, of which \$5,385,000 principal amount remains outstanding as of June 2, 2019 (the "Revenue Bonds").

The District has also previously issued six (6) series of unlimited tax bonds that are secured solely by the proceeds of taxes levied upon taxable property located only within the Defined Area (herein defined), which, as of June 2, 2019, \$11,320,000 principal amount remains outstanding. Defined Area Bonds (herein defined) are payable solely from the proceeds of taxes levied upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the entire District, including the Defined Area. See "THE BONDS – Issuance of Additional Debt – *Defined Area*" and "DISTRICT DEBT – Estimated Overlapping Debt."

## **Funds**

The Bond Order confirms the District's fund (the "Debt Service Fund") for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds that the District may hereafter issue that are supported by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the entirety District. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund.

The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any of the District's other duly authorized bonds issued that are payable in whole or in part from the proceeds of taxes levied on taxable property located within all of the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable in whole or in part from taxes levied on taxable property located within all of the District, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The principal and interest due on the Refunded Bonds are to be paid on the redemption date of the Refunded Bonds, which is also the closing date of the Bonds, from funds to be deposited into the Payment Account. Bond Order provides that, from the proceeds of the sale of the Bonds and other lawfully available funds of the District, the District will deposit with the paying agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date.

### **Issuance of Additional Debt**

#### *General*

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality ("TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." Through various elections, the District's voters have authorized an aggregate of \$74,100,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the District. Currently, the District has \$2,100,000 principal amount of authorized but unissued bonds to finance a water supply project to serve all the land within the District.

Additionally, pursuant to the election proposition, the District has the voted authority to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds. After the issuance of the Bonds, the District will have \$52,854,641 of remaining voted authorization for refunding bonds. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District if so authorized by the voters in the District and approved by the District and the TCEQ.

#### *Defined Area*

Pursuant to action taken by the Board of Directors of the District on December 13, 2001, and an election held on February 2, 2002, the District created the Sendero Springs and Cornerstone Defined Area, which encompasses approximately 416.683 acres within the boundaries of the District (the "Defined Area"). The Defined Area consists of two tracts, Sendero Springs, which is approximately 222.785 acres, and the Cornerstone Tract, which is approximately 193.898 acres.

As part of the election held on February 2, 2002, voters of the District authorized the District's issuance of \$24,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area and \$36,750,000 principal amount of unlimited tax bonds for the purpose of refunding of bonds issued for the Defined Area ("Defined Area Bonds"). To date, the District has issued six (6) series of unlimited tax bonds from such voted authorizations, of which \$11,320,000 principal amount remains outstanding as of June 2, 2019, and \$10,715,000 principal amount of unlimited tax bonds remains authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area and \$36,435,000 principal amount remains authorized but unissued for refunding purposes. According to the District's Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

Defined Area Bonds issued by the District are payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon taxable property located within the boundaries of the Defined Area and not on any other part of the District. All such taxes levied by the District upon the Defined Area are in addition to the taxes levied by the District upon all taxable property within the District, including the Defined Area. See "DISTRICT DEBT – Estimated Overlapping Debt" and "– Estimated Overlapping Taxes."

### **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

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

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

### **Specific Tax Covenants**

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated 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.

## **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

## **Remedies in Event of Default**

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any Registered Owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS - Limitation to Registered Owners' Remedies."

## **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 not consolidate its water and wastewater system with any other district.

## **Annexation**

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas (the "City"). Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session, a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. A municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of June 1, 2019, the District had an estimated population of 17,127, thus triggering the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

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

## **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 does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will 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 (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein,

change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

## **THE DISTRICT**

### **General**

The District, which was originally created as Williamson County Municipal Utility District No. 2, 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 TCEQ and is located entirely within the extraterritorial jurisdiction of the City 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 and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Effective September 13, 2003, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, 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. Under current State law, 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 TCEQ 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 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 District is located approximately 1.5 miles west of the City of Round Rock and 19 miles north of the City of Austin. The northern portion of the District lies south of FM 1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of Round Rock, and entirely within Williamson County and Round Rock Independent School District. Approximately 416.683 acres within the District 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

### - Board of Directors -

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

| <u>Name</u>     | <u>Title</u>                  | <u>Term Expires November</u> |
|-----------------|-------------------------------|------------------------------|
| Shean R. Dalton | President                     | 2022                         |
| Donna B. Parker | Vice President                | 2020                         |
| Kim Filiatrault | Secretary                     | 2022                         |
| Michael Tucker  | Assistant Secretary/Treasurer | 2020                         |
| Rebecca Tullos  | Treasurer                     | 2022                         |

### - Consultants -

The District employs a general manager, chief financial officer, and 47 other full-time and 22 part-time office and field employees, as well as contracts for certain necessary services as follows:

**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, Mr. Larry Gaddes currently serves the District in this capacity under contract.

**Engineer** - The District's primary consulting engineer is MRB Group. Such firm serves as consulting engineer to eight other special districts.

**Auditor** - McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, audited the District's financial statements for the fiscal year ended September 30, 2018. See "APPENDIX A."

**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 McLean & Howard, LLP, Austin, Texas, as general counsel.

**Financial Advisor** - Robert W. Baird & Co. Incorporated, Houston, Texas serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor 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 that has been supplied or provided by third-parties.

### - Special Consultants Related to Issuance of the Bonds -

**Verification Agent** - At the time of delivery of the Bonds, Robert Thomas CPA, LLC will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the Bonds.

## Investment Authority and Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits

insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Acts, and in TexPool and Texas Class, which are public fund investment pools rated in the highest rating category by a nationally recognized rating service.

### **STATUS OF DEVELOPMENT**

Development within the District in its original configuration began in the late 1970s. In 1983, a 1,485-acre tract of land was annexed. The current boundaries of the District contain approximately 2,270 non-contiguous acres including an area containing approximately 465 acres in the north portion (the “North”) of the District and approximately 1,745 acres in the south portion (the “South”) of the District.

#### **Current Residential and Commercial Development**

Development of lands within the District is substantially complete. Approximately 1,957 acres within the District have been developed primarily as several single-family residential subdivisions as well as multi-family residential, commercial and retail development.

The single-family subdivisions include Brushy Creek North, Sections One and Two; Sendero Springs, Sections One through Seven; Brushy Creek, Sections One through Six; Cat Hollow, Sections One, Three, Five, Seven, Nine, Thirteen, Five-A, One A, Sections A-1 through A-6, B, and Sections C1 and C2; The Meadows of Brushy Creek, Phase I through V; The Corners of Brushy Creek, Sections One through Three; The Woods of Brushy Creek, Sections I, II, III, IV V, VI, and VII; Brushy Creek Village, Sections One and Two; and Highland Horizon, Phase I and II. Such single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction.

Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools, three churches, a 9-acre reserve, 60 acres of parks, and 131 acres of greenbelts and flood plain. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land.

#### **Sendero Springs and Cornerstone Defined Area**

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area or property and do not generally and directly benefit the District as a whole. Before a plan relating to a defined area is adopted by the District and becomes effective, the District must hold a public hearing and an election within such defined area. Effective May 29, 2001, Hyland North Joint Venture, Hyland Joint Venture, Highland Three Hundred, Ltd., HRI Development Corporation (collectively, the “Defined Area Developers”) and the District entered into an “Agreement Regarding Bond Funds, Impact Fees and Other Matters” pursuant to which the Defined Area Developers agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area encompassing approximately 417 acres to be generally known as Sendero Springs and Cornerstone Defined Area.

On December 13, 2001, the Board of Directors took action to proceed with the creation of the Sendero Springs and Cornerstone Defined Area (the “Defined Area”) within the boundaries of the District. The Defined Area consists of two tracts, Sendero Springs (approximately 223 acres) and Cornerstone (approximately 194 acres). Both tracts have been developed for single-family residential purposes. Approximately 365 acres (1,082 lots) have been developed as the various single-family subdivisions within the Defined Area. As of May of 2019, there were 1,082 completed homes.

On February 2, 2002, voters within the Defined Area authorized \$24,500,000 in Defined Area Bonds to finance the water, wastewater and drainage improvements within the Defined Area. Any bonds issued for the Defined Area will be payable solely from a tax levied with the boundaries of the Defined Area. The Defined Area has previously sold six series of bonds to benefit the Defined Area with \$11,320,000 in principal amount

outstanding as of June 2, 2019. Currently, the Defined Area has \$10,715,000 principal amount of authorized but unissued bonds. In 2018, the District levied a debt tax rate of \$0.175 per \$100 of assessed valuation in the Defined Area in addition to the District's \$0.46 per \$100 of assessed valuation District-wide tax rate. According to the District's Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

Development within the Defined Area is complete and includes the development of Sendero Springs, Section One through Seven and Highland Horizon, Phase I and II.

## **THE DEVELOPERS**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed 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, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Description of the Developers**

Development in the District is substantially complete. Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") were the original developers within the District. 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 began developing lands within the District in 1978 and are collectively referred to herein 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 District, Highland, either directly or through related entities, also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and Marble Falls Ranch.

### **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 its right to have its 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 purchasers of such land from each developer. See "TAXING PROCEDURES."

## DISTRICT DEBT

### General

|  |                          |
|--|--------------------------|
| 2018 Taxable Assessed Valuation.....                               | \$2,089,546,784 (a)      |
| 2019 Preliminary Valuation .....                                   | \$2,207,794,437 (b)      |
| Direct Debt:   |                          |
| The Remaining Outstanding Bonds.....                               | \$ 17,380,000            |
| The Bonds .....  | <u>\$ 6,605,000</u>      |
| Total.....   | \$ 23,985,000            |
| Estimated Overlapping Debt.....                                    | <u>\$ 88,344,831 (c)</u> |
| Total Direct and Estimated Overlapping Debt .....                  | \$ 112,329,831 (c)       |
| Direct Debt Ratios:  |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 1.15 %                   |
| As a percentage of the 2019 Preliminary Valuation .....            | 1.09 %                   |
| Direct and Estimated Overlapping Debt Ratios:                      |                          |
| As a percentage of the 2018 Taxable Assessed Valuation.....        | 5.38 %                   |
| As a percentage of the 2019 Preliminary Valuation .....            | 5.09 %                   |
| District Debt Service Fund Balance (as of March 31, 2019).....     | \$7,941,029 (d)          |
| Defined Area Debt Service Fund Balance (as of March 31, 2019)..... | \$2,422,720 (e)          |
| General Operating Fund Balance (as of March 31, 2019) .....        | \$18,304,369             |
| 2018 Tax Rate per \$100 of Taxable Assessed Valuation              |                          |
| Debt Service .....   | \$0.14 (f)               |
| Maintenance and Operation.....                                     | <u>\$0.32</u>            |
| Total.....   | \$0.46                   |

- 
- (a) Represents the taxable assessed valuation as of January 1, 2018, of all taxable property in the District, as certified by the Williamson Central Appraisal District ("WCAD"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the WCAD. This preliminary value is subject to protest by the owners of taxable property in the District and is included solely for purposes of illustration. No taxes will be levied on this assessed value unless it is certified by the WCAD. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Includes all \$11,320,000 principal amount of Defined Area Bonds (herein defined) outstanding as of June 2, 2019, as well as the District's pro rata share, based on taxable value, of the outstanding debt of the taxing jurisdictions overlapping the District. See "DISTRICT DEBT - Estimated Overlapping Debt."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Amounts on deposit in this fund are reserved for payment of debt service on the Bonds, the Remaining Outstanding Bonds, and any additional unlimited tax bonds issued by the District that are supported by the proceeds of a tax levied on taxable property located in the entire District.
- (e) Amounts on deposit in this fund are reserved for payment of debt service on Defined Area Bonds and may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds.
- (f) Represents the tax levied by the District upon taxable property located within the entire District, including the Defined Area, for payment of debt service on the Remaining Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area for payment of debt service on the Defined Area Bonds. Proceeds of taxes levied by the District for payment of debt service on the Defined Area Bonds may not be used for payment of debt service on the Bonds or the Remaining Outstanding Bonds. See "DISTRICT DEBT - Estimated Overlapping Taxes."

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

| Taxing Jurisdiction                                | Outstanding Debt<br>June 2, 2019 | Overlapping |                      |
|--|----------------------------------|-------------|----------------------|
|  |                                  | Percent     | Amount               |
| Williamson County                                  | \$ 826,249,942                   | 3.19%       | \$ 26,381,739        |
| Round Rock Independent School District             | 807,210,000                      | 5.78%       | 46,666,277           |
| Austin Community College District                  | 418,335,000                      | 0.95%       | 3,976,815            |
| Defined Area                                       | 11,320,000                       | 100.00%     | <u>11,320,000</u>    |
| Total Estimated Overlapping Debt .....             |                                  |             | \$ 88,344,831        |
| The District (a).....                              |                                  |             | <u>\$ 23,985,000</u> |
| Total Direct & Estimated Overlapping Debt (a)..... |                                  |             | \$112,329,831        |

(a) Includes the Remaining Outstanding Bonds and the Bonds.

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. 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 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 District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, 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 2018 tax rates levied by such jurisdictions on property within the District. 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>Taxing Jurisdiction</u>                              | <u>2018 Tax Rate</u> |
|---|----------------------|
| Williamson County                                       | \$0.419029           |
| Williamson County FM/RD                                 | 0.040000             |
| Williamson County Emergency Services District No. 2     | 0.100000             |
| Round Rock Independent School District                  | 1.304800             |
| Austin Community College District                       | 0.104800             |
| Upper Brushy Creek Water Control & Improvement District | 0.020000             |
| The District  | <u>0.460000</u>      |
| Total Tax Rate for District Not in Defined Area         | \$2.448629           |
| <br>  |                      |
| The Defined Area  | <u>\$0.175000</u>    |
| Total Tax Rate for District Defined Area                | \$2.623629           |

### Debt Service Requirements

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

| Calendar<br>Year | Outstanding<br>Debt Service | Less: Refunded<br>Debt Service | Plus: The Bonds    |                  | Total<br>Debt Service |
|------------------|-----------------------------|--------------------------------|--------------------|------------------|-----------------------|
|                  |                             |                                | Principal          | Interest         |                       |
| 2019             | \$421,735                   | \$136,794                      | -                  | \$90,479         | \$375,421             |
| 2020             | 3,115,661                   | 273,588                        | -                  | 217,150          | 3,059,223             |
| 2021             | 3,123,030                   | 1,792,444                      | \$1,535,000        | 194,125          | 3,059,711             |
| 2022             | 3,126,311                   | 1,793,550                      | 1,585,000          | 147,325          | 3,065,086             |
| 2023             | 2,886,098                   | 1,547,200                      | 1,385,000          | 102,775          | 2,826,673             |
| 2024             | 2,939,572                   | 88,600                         | -                  | 82,000           | 2,932,972             |
| 2025             | 3,201,658                   | 338,500                        | 220,000            | 79,000           | 3,142,158             |
| 2026             | 3,202,185                   | 1,999,200                      | 1,900,000          | 38,000           | 3,140,985             |
| 2027             | 3,275,287                   | -                              | -                  | -                | 3,275,287             |
| 2028             | 3,284,079                   | -                              | -                  | -                | 3,284,079             |
| <b>Total</b>     | <b>\$28,575,615</b>         | <b>\$7,969,875</b>             | <b>\$6,605,000</b> | <b>\$950,854</b> | <b>\$28,161,594</b>   |

Average Annual Debt Service Requirement (2019-2028) ..... \$2,816,159

Maximum Annual Debt Service Requirement (2028)..... \$3,284,079

## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and 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 District'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 operation and maintenance purposes. The Board levied a 2018 tax rate for debt service purposes of \$0.14 per \$100 of assessed valuation and \$0.32 per \$100 of assessed valuation for operation and maintenance purposes. In addition, for the 2018 tax year, the District levied a tax rate of \$0.175 per \$100 of assessed valuation, upon taxable property located in the Defined Area, for payment of debt service purposes. For residents of the Defined Area this tax rate is in addition to the District tax rate.

### Analysis of Tax Base

The following represents the type of property comprising the 2014–2018 tax rolls as certified by the Appraisal District.

| Type of Property                      | 2018<br>Assessed Value | 2017<br>Assessed Value | 2016<br>Assessed Value |
|---------------------------------------|------------------------|------------------------|------------------------|
| Single Family                         | \$1,800,055,570        | \$1,713,290,464        | \$1,551,841,937        |
| Multi Family                          | 150,685,331            | 137,124,452            | 132,630,229            |
| Vacant Platted Lots/Tracts            | 13,701,425             | 13,637,370             | 17,960,815             |
| Acreage (Land Only)                   | -                      | 10,723                 | 10,723                 |
| Farm and Ranch Improvement            | 10,723                 | -                      |                        |
| Commercial                            | 118,215,190            | 102,106,646            | 94,794,886             |
| Real & Intangible Personal, Utilities | 10,527,800             | 9,337,219              | 9,338,706              |
| Tangible Personal Business            | 25,272,197             | 23,362,675             | 11,516,158             |
| Real Inventory                        | 405,000                | 10,899,730             | 29,018,275             |
| Exempt                                | <u>(28,730,499)</u>    | <u>(41,215,545)</u>    | <u>(51,384,125)</u>    |
| Total                                 | \$2,090,142,737        | \$1,968,553,734        | \$1,795,727,604        |

| Type of Property                      | 2015<br>Assessed Value | 2014<br>Assessed Value |
|---------------------------------------|------------------------|------------------------|
| Single Family                         | \$1,406,117,226        | \$1,265,711,823        |
| Multi Family                          | 121,422,859            | 116,834,289            |
| Vacant Platted Lots/Tracts            | 14,049,294             | 19,968,214             |
| Acreage (Land Only)                   | 9,904                  | 9,904                  |
| Commercial                            | 72,937,471             | 63,805,898             |
| Real & Intangible Personal, Utilities | 7,263,803              | 6,588,699              |
| Tangible Personal Business            | 5,944,528              | 6,201,939              |
| Real Inventory                        | 11,907,068             | 13,677,224             |
| Exempt                                | <u>2,510</u>           | <u>-</u>               |
| Total                                 | \$1,639,654,663        | \$1,492,797,990        |

## Historical Tax Collections

| Tax Year | Assessed Valuation (a) | Tax Rate (b) | Adjusted Levy | Collections Current Year | Current Year Ended 9/30 |
|----------|------------------------|--------------|---------------|--------------------------|-------------------------|
| 2010     | \$1,106,704,060        | \$0.500      | \$5,533,520   | 99.93%                   | 2011                    |
| 2011     | 1,162,948,436          | 0.500        | 5,814,742     | 99.85                    | 2012                    |
| 2012     | 1,193,911,500          | 0.500        | 5,969,558     | 99.79                    | 2013                    |
| 2013     | 1,278,996,832          | 0.500        | 6,394,984     | 99.77                    | 2014                    |
| 2014     | 1,492,797,990          | 0.480        | 7,165,430     | 99.78                    | 2015                    |
| 2015     | 1,639,654,663          | 0.470        | 7,706,377     | 99.91                    | 2016                    |
| 2016     | 1,795,727,604          | 0.465        | 8,350,133     | 99.83                    | 2017                    |
| 2017     | 1,968,553,734          | 0.460        | 9,055,347     | 99.81                    | 2018                    |
| 2018     | 2,090,142,737          | 0.460        | 9,614,657     | 99.19 (c)                | 2019                    |

(a) Values may differ from the values listed elsewhere herein due to subsequent supplemental and correction rolls from WCAD.

(b) See "Tax Rate Distribution" below.

(c) For the 2018 tax year, represents collections through May 31, 2019.

## Tax Rate Distribution

The following sets out the components of the District's tax rate for each of tax years 2013–2018. The tax rates set forth below include only those taxes levied by the District upon all taxable property in the District. See "THE DISTRICT – Sendero Springs and Cornerstone Defined Area" for discussion of additional taxes levied by the District upon taxable property located only in the Defined Area.

|              | 2018            | 2017            | 2016            | 2015            | 2014            | 2013            |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Debt Service | \$0.1400        | \$0.1600        | \$0.1700        | \$0.1900        | \$0.2500        | \$0.2500        |
| Maintenance  | <u>\$0.3200</u> | <u>\$0.3000</u> | <u>\$0.2950</u> | <u>\$0.2800</u> | <u>\$0.2300</u> | <u>\$0.2500</u> |
| Total        | \$0.4600        | \$0.4600        | \$0.4650        | \$0.4700        | \$0.4800        | \$0.5000        |

## Tax Rate Limitation

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

## Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect an 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 the Bonds, and any tax bonds which may be issued in the future. At an election held on April 2, 1983, voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a maintenance tax for 2018 of \$0.32 per \$100 of assessed valuation. The District is also authorized to levy a maintenance tax solely within the Sendero Springs and Cornerstone Defined Area; however, the District has not levied such maintenance tax since 2008.



**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the Appraisal District’s original certification of the appraisal rolls for the 2018 tax year. The values and percentages below are subject to adjustment due to supplemental certifications of the 2018 appraisal rolls by the Appraisal District.

| <u>Taxpayer</u>  | <u>Types of Property</u> | <u>Taxable Value<br/>2018 Tax Roll</u> |
|--|--------------------------|--|
| Landing at Round Rock Acquisition LLC                  | Land & Improvements      | \$89,491,083                           |
| CWS Brushy Creek LP                                    | Land & Improvements      | 51,781,360                             |
| IVQ Round Rock LP                                      | Land & Improvements      | 11,756,288                             |
| Highland 620 Land Investment Ltd                       | Land & Improvements      | 9,130,857                              |
| Barclay/Texas Holdings 6 LP                            | Land & Improvements      | 9,043,666                              |
| H. E. Butt Inc.  | Land & Improvements      | 8,393,221                              |
| Great American Storage Partners LLC                    | Land & Improvements      | 7,178,870                              |
| Atmos Energy/Mid-Tex Distribution                      | Land & Improvements      | 7,064,379                              |
| Homeowner  | Land & Improvements      | 6,897,002                              |
| MGP XXII LLC   | Land & Improvements      | <u>5,200,000</u>                       |
| Principal Taxpayers Total                              |                          | \$205,936,726                          |
| Principal Taxpayers Total as Percent of District Total |                          | 9.86%                                  |

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the taxable assessed valuation as of January 1, 2018 (\$2,089,546,784), or the preliminary valuation as of January 1, 2019 (\$2,207,794,437). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

|   |             |
|---|-------------|
| Average Annual Debt Service Requirement (2019–2028) .....                             | \$2,816,159 |
| Debt Service Tax Rate of \$0.15 on the 2018 Taxable Assessed Valuation produces ..... | \$2,977,604 |
| Debt Service Tax Rate of \$0.14 on the 2019 Preliminary Valuation produces.....       | \$2,936,367 |
| Maximum Annual Debt Service Requirement (2028).....                                   | \$3,284,079 |
| Debt Service Tax Rate of \$0.17 on the 2018 Taxable Assessed Valuation produces ..... | \$3,374,618 |
| Debt Service Tax Rate of \$0.16 on the 2019 Preliminary Valuation produces.....       | \$3,355,848 |

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from the proceeds of taxes levied upon all taxable property in the District that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax.”

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

Title I of the Texas 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 a county and an appraisal

review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Williamson County, including the District. Such appraisal values will be subject to review and change by the Williamson County Appraisal Review Board (the "Appraisal Review Board"). The appraisal rolls, as approved by the Appraisal Review Board, will 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; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth development, or fraternal organizations; designated historical sites; travel trailers; and most individually owned automobiles. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. 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 on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty 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. 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. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. Furthermore, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but it must be adopted by July 1. The District has never adopted a general homestead exemption.

*Tax Abatement:* Williamson County and the District may enter into tax abatement agreements with owners of real property within such tax abatement 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.

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

### **Valuation of Property for Taxation**

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

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

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

## **District and Taxpayer Remedies**

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that 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 that are higher than renditions and appraisals of property not previously on an appraisal roll.

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Under current law, 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.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as

“Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the previous year’s operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District’s adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

#### *The District*

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the state and each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal

property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the FDIC pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

## **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 TCEQ. 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") 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional River 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 certain of the Remaining Outstanding Bonds were used to finance and refinance 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 into Lake Georgetown by the Regional Project.

The District also owns five water wells with a capacity of about 1.7 MGD, three of which are active and are capable of producing 1.7 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 700,000-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 700,000 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 ("CORR") for wholesale wastewater service through the Brushy Creek Regional Wastewater System ("Regional System"). Development of the Cornerstone area will be served by gravity to the District's F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 to the Cornerstone area. The Regional System is owned by CORR, the City of Austin, and the City of Cedar Park and operated by the BRA for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District's contract with the CORR 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 receive service for 7,587 Living Unit Equivalent ("LUEs") and is currently serving approximately 6,650 LUEs.

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 is served by gravity wastewater lines in the District's wastewater collection system that connects to the Regional Wastewater System.

Development in Sendero Springs is served by gravity lines flowing into the Regional System. Development in Brushy Creek South is served by gravity lines flowing into existing District interceptor lines. Development of the Cornerstone area is served by the District's FM 620 lift station downstream (across FM 620 from the Cornerstone property), and the Cornerstone area is served by gravity to that lift station.

### **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.

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could result in various changes including higher insurance rates and stricter building codes for any property located within the expanded boundaries of the floodplain.

**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 charges 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 for Residential and Commercial\***

|   | <u>In District</u> | <u>Out of District</u> |
|---|--------------------|------------------------|
| Minimum Monthly Charge.....                               | \$14.50            | \$39.14                |
| Per 1,000 Gallons Used (Off Peak Rates; October–May)..... | \$2.17 Per Gallon  | \$2.17 Per Gallon      |
| Per 1,000 Gallons Used (Peak Rates; June–September) ..... | \$2.85 Per Gallon  | \$2.85 Per Gallon      |

**Sewer Monthly Billings for Residential and Commercial\***

|   | <u>In District</u> | <u>Out of District</u> |
|---|--------------------|------------------------|
| Minimum Monthly Charge.....                                 | \$6.00             | \$12.00                |
| Per 1,000 Gallons Used (Based on Water Used Nov.–Feb.)..... | \$2.70 Per Gallon  | \$10.80 Per Gallon     |

**Tap Fees**

|                  |         |
|------------------|---------|
| Water:           |         |
| Residential..... | \$220   |
| Sewer:           |         |
| Residential..... | \$60    |
| Impact Fees      |         |
| Water .....      | \$2,095 |
| Wastewater ..... | \$1,804 |

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\* The minimum charges for commercial customers for water and sewer service are based on water meter sizes and LUEs.



## 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 |                     |                     |                     |                     |
|---|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2018                           | 2017                | 2016                | 2015                | 2014                |
| <b>Revenues</b>   |                                |                     |                     |                     |                     |
| Water and Wastewater Service  | \$5,385,725                    | \$5,215,431         | \$5,226,780         | \$5,082,059         | \$5,077,406         |
| Garbage Collection  | 1,385,486                      | 1,369,168           | 1,345,290           | 1,186,768           | 1,155,136           |
| Inspection Fees   | 27,685                         | 60,520              | 77,282              | 77,689              | 120,202             |
| Tap and Other Connection Fees   | 3,074                          | 47,079              | 131,136             | 214,462             | 175,272             |
| Park and Recreation Center Fees   | 1,673,060                      | 1,546,489           | 1,506,143           | 1,499,289           | 1,222,387           |
| Property Taxes  | 5,903,594                      | 5,281,267           | 4,523,775           | 3,653,155           | 3,203,128           |
| Investment Earnings   | 284,545                        | 97,894              | 64,748              | 38,318              | 26,043              |
| Other   | 256,933                        | 219,957             | 153,096             | 233,971             | 231,349             |
| Contributed Capital Assets  | -                              | 1,710               | 19,275              | -                   | -                   |
| <b>Total Revenues</b>   | <b>\$14,920,102</b>            | <b>\$13,839,515</b> | <b>\$13,047,525</b> | <b>\$11,985,711</b> | <b>\$11,210,923</b> |
| <b>Expenditures</b>   |                                |                     |                     |                     |                     |
| <b>Current</b>  |                                |                     |                     |                     |                     |
| Personnel (Including Benefits)  | \$4,261,308                    | \$3,908,287         | \$3,612,231         | \$3,281,080         | \$3,088,208         |
| Purchased Services for Resale   | 2,586,690                      | 2,450,527           | 2,811,709           | 2,479,761           | 2,496,818           |
| Administrative  | 1,047,338                      | 971,001             | 887,623             | 984,333             | 1,173,831           |
| Repairs and Maintenance   | 876,860                        | 1,122,722           | 989,729             | 907,746             | 656,193             |
| Utilities   | 624,474                        | 536,614             | 551,664             | 571,664             | 589,144             |
| Professional Services   | 564,091                        | 561,744             | 497,795             | 376,133             | 452,731             |
| Contracted Services   | 190,618                        | 378,744             | 233,267             | 366,192             | 383,313             |
| Capital Outlay  | 2,300,762                      | 1,865,489           | 3,025,806           | 2,466,902           | 1,457,914           |
| Principal Payments  | 405,000                        | 395,000             | 335,000             | 374,934             | 85,731              |
| Interest and Fiscal Charges   | 163,323                        | 173,711             | 69,460              | 25,943              | 25,080              |
| <b>Total Expenditures</b>   | <b>\$13,020,464</b>            | <b>\$12,363,839</b> | <b>\$13,014,284</b> | <b>\$11,834,688</b> | <b>\$10,408,963</b> |
| <b>Excess of Revenues</b>   | <b>\$1,899,638</b>             | <b>\$1,475,676</b>  | <b>\$33,241</b>     | <b>\$151,023</b>    | <b>\$801,960</b>    |
| <b>Other Financing Sources</b>  | <b>\$32,303</b>                | <b>-</b>            | <b>-</b>            | <b>\$180,400</b>    | <b>\$49,998</b>     |
| <b>Net Change in Fund Balance</b>                                       | <b>\$1,931,941</b>             | <b>\$1,475,676</b>  | <b>\$33,241</b>     | <b>\$331,423</b>    | <b>\$851,958</b>    |
| Active Retail Water Connections   | 5,683                          | 5,673               | 5,574               | 5,699               | 5,628               |
| Active Retail Wastewater Connections                                    | 5,592                          | 5,615               | 5,463               | 5,490               | 5,403               |
| District Debt Service Fund Balance (as of September 30, 2018) .....     |                                |                     |                     |                     | \$2,946,858         |
| Defined Area Debt Service Fund Balance (as of September 30, 2018) ..... |                                |                     |                     |                     | \$1,772,558         |
| General Operating Fund Balance (as of September 30, 2018).....          |                                |                     |                     |                     | \$18,304,370        |

## INVESTMENT CONSIDERATIONS

### General

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

### Factors Affecting Taxable Values and Tax Payments

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

Interest rate levels and the general availability of credit may affect the ability of potential homeowners to obtain mortgages and purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District.

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

*Impact on District Tax Rates:* Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2018, of all taxable property located within the District is \$2,089,546,784, and the preliminary valuation as of January 1, 2019, is \$2,207,794,437. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2028) is \$3,284,079, and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds (2019–2028) is \$2,816,159.

Assuming no decrease to the District's taxable assessed valuation as of January 1, 2018, debt service tax rates of \$0.17 and \$0.15 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease to the District's preliminary valuation as of January 1, 2019, debt service tax rates of \$0.16 and \$0.14 per \$100 of assessed valuation at a 95% tax collection

rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

### **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.

### **Limitation to Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

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

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally 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 has 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 TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its right 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, enters an order granting relief from the stay or 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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. A district cannot be placed into bankruptcy involuntarily.

### **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**

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

### **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$2,100,000 authorized but unissued bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, revenue bonds or notes, special project bonds, refunding bonds, and other obligations described in the Bond Order. All of the remaining \$2,100,000 bonds which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the TCEQ.

Pursuant to an election held in the District on November 6, 2001, the District has the authority to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, which equals \$55,500,000. The District currently anticipates issuing the remaining \$2,100,000 principal amount of authorized but unissued bonds, which totals the \$39,100,000 authorized by the election proposition, allowing for a maximum voted authorization of \$58,650,000 for the issuance of refunding bonds.

After the issuance of the Bonds, the District will have \$52,854,641 of remaining voted authorization for refunding bonds. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

In addition, the District may hereafter issue the \$10,715,000 principal amount of unlimited tax bonds that remain authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage improvements serving the Defined Area as well as the \$36,435,000 principal amount of authorized but unissued bonds available for the refunding of bonds issued for the Defined Area. According to the District's Chief Financial Officer, there are no current remaining reimbursable expenses for District projects in the Defined Area.

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

### **Forward-Looking Statements**

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

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

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

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Environmental Regulation**

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

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

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

*Air Quality Issues.* The Federal Clean Air Act ("CAA") requires the United States Environmental Protection Agency (the "EPA") to adopt and periodically revise national ambient air quality standards ("NAAQS") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so-called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the "2008 Ozone Standard"). The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the Austin Area as “attainment” under the 2015 Ozone Standards, which became effective on August 3, 2018.

Should the Austin Area fail to achieve EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of nonattainment/conformity analysis, the status of the EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the near future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial, and residential development in the Austin Area.

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quality of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and USACE released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR, and proposing the development of a revised

definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the CWR in its entirety and to reinstate regulations in place before the adoption of the CWR while the agencies developed a revised definition. Meanwhile, in January 2018, the EPA and USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas issued a preliminary injunction on CWR implementation in Texas, Louisiana, and Mississippi pending resolution of an ongoing case challenging the CWR. On May 28, 2019, the U.S. District Court for the Southern District of Texas concluded that the promulgation of the CWR violated the Administrative Procedures Act and remanded it for agency reconsideration. Pending proceedings on remand, the Court also ordered the preliminary injunction issued in September 2018 to remain in place. Accordingly, under such ruling, the CWR is not currently in effect for the states of Texas, Louisiana, and Mississippi.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed definition also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies have taken comments on the proposed rules, which were published in the Federal Register on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is substantial uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, would potentially be subject to additional restrictions and requirements, including permitting requirements.

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

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on

the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B – Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING – Payment of Refunded Bonds," "THE BONDS" (except for the subcaption "Book-Entry-Only System"), "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel.

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

#### **No-Litigation Certificate**

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

### **TAX MATTERS**

#### **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 Bond Counsel Opinion."

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and



Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the 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.

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

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, 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 RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

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

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

## **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payment of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **Not Qualified Tax-Exempt Obligations for Financial Institutions**

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

The District has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain updated financial information and operating data to EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except Estimated Overlapping Debt), "TAX DATA," "THE SYSTEM – Water and Wastewater Operations," "WATERWORKS AND SEWER SYSTEM OPERATION STATEMENT" and "APPENDIX A." The District will update and provide this information to EMMA within six months after the end of each fiscal year ending in or after 2019. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents on the EMMA system, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such twelve month period, and audited financial statements when the audit report on such statements becomes

available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if 60 material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

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

For these purposes, (A) any event describe in clause (12) in the immediately preceding paragraph 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. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule. The District intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

### **Availability of Information from MSRB**

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

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

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of 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 registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance with Prior Undertakings**

On February 8, 2016, S&P Global Ratings ("S&P") upgraded the underlying rating on the District's Defined Area Bonds from BBB+ to A-. An event notice for the upgrade was not filed. However, on November 29, 2018, S&P further upgraded the underlying rating on the District's Defined Area Bonds from A- to A, and such event notice was timely filed with EMMA on November 30, 2018.

Except as indicated above, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

### **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 amounts 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. The computations were independently verified by Robert Thomas CPA, LLC based upon certain assumptions and information supplied by the Financial Advisor on behalf of the District, and the District. Robert Thomas CPA, LLC 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.

## OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Experts

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

**Engineer:** The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the District, and has been included in reliance upon their authority as an expert in the field of civil engineering.

**Appraisal District:** The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the 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 Mr. Larry Gaddes in reliance upon his authority as an expert in the field of tax assessing and collecting.

### Updating of Official Statement

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

### Certification as to Official Statement

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

## 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 cover page hereof.

Shean R. Dalton  
President, Board of Directors  
Brushy Creek Municipal Utility District

ATTEST:

Kim Filiatrault  
Secretary, Board of Directors  
Brushy Creek Municipal Utility District

**APPENDIX A**  
**Financial Statements of the District**

**BRUSHY CREEK**  
**MUNICIPAL UTILITY DISTRICT**  
**WILLIAMSON COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2018**

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**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF WILLIAMSON

I, SHEAN DALTON of the  
(Name of Duly Authorized District Representative)

## BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 24th day of January, 2019, its annual audit report for the fiscal year ended September 30, 2018 and that copies of the annual audit report have been filed in the District's office, located at:

16318 Great Oaks Drive  
Round Rock, Texas 78681  
(Address of District's Office)

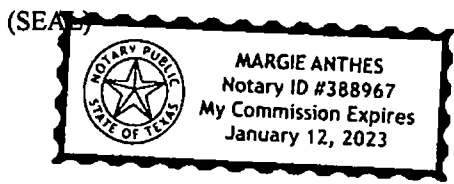
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: JANUARY 24, 2019 By: [Signature]  
(Signature of District Representative)

SHEAN DALTON, Board President  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 24th day of JANUARY, 2019.

[Signature]  
(Signature of Notary)



MARGIE ANTHES  
(Printed Name of Notary)

My Commission Expires On: JAN 12, 2023  
Notary Public in the State of Texas

# **INDEPENDENT AUDITOR'S REPORT**

# McCALL GIBSON SWEDLUND BARFOOT PLLC

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Brushy Creek Municipal  
Utility District  
Williamson County, Texas

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, 2018, 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 District'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.

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Brushy Creek Municipal  
Utility District

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District Contributions and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Austin, Texas

January 24, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis of Brushy Creek Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018.

**USING THIS ANNUAL REPORT**

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 Statement of Revenues, Expenditures, and Changes in Fund Balances
  - Notes to the Financial Statements

This report also includes required supplementary information and other supplementary information.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund and the schedule of changes in net pension liability and related ratios as well as the schedule of District contributions is included as RSI. There is also Supplementary Information Required by the Water District Financial Management Guide and Other Supplementary Information related to property taxes.



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,277,587 as of September 30, 2018. Of this amount, \$17,908,896 (unrestricted net position) may be used to meet the District's ongoing obligations.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities, as well as land, construction in progress, buildings, and furniture, fixtures and equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide various services to District residents.

The following is a comparative analysis of government-wide changes in net position:

|  | Summary of Changes in the Statement of Net Position |               |                                  |
|--|---|---------------|----------------------------------|
|  | 2018  | 2017          | Change<br>Positive<br>(Negative) |
| Current and Other Assets                         | \$ 27,244,154                                       | \$ 25,879,153 | \$ 1,365,001                     |
| Capital Assets (Net of Accumulated Depreciation) | 55,411,762  | 56,122,768    | (711,006)                        |
| Total Assets                                     | \$ 82,655,916                                       | \$ 82,001,921 | \$ 653,995                       |
| Deferred Outflows of Resources                   | \$ 322,439  | \$ 529,611    | \$ (207,172)                     |
| Current Liabilities                              | \$ 5,218,794  | \$ 6,111,926  | \$ 893,132                       |
| Long -Term Liabilities                           | 42,438,257  | 45,667,002    | 3,228,745                        |
| Total Liabilities                                | \$ 47,657,051                                       | \$ 51,778,928 | \$ 4,121,877                     |
| Deferred Inflows of Resources                    | \$ 43,717   | \$ 59,326     | \$ 15,609                        |
| Net Position:                                    |   |               |                                  |
| Net Investment in Capital Assets                 | \$ 12,316,369                                       | \$ 10,431,897 | \$ 1,884,472                     |
| Restricted                                       | 5,052,322   | 4,458,007     | 594,315                          |
| Unrestricted                                     | 17,908,896  | 15,803,374    | 2,105,522                        |
| Total Net Position                               | \$ 35,277,587                                       | \$ 30,693,278 | \$ 4,584,309                     |

The District's total assets were approximately \$82.7 million as of September 30, 2018. Of this amount, approximately \$55.4 million was accounted for by capital assets. The District had outstanding liabilities of approximately \$47.7 million of which approximately \$45.6 million represents bonds payable.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the District's operations for the years ended September 30, 2018, and September 30, 2017. The District's net position increased by \$4,584,309.

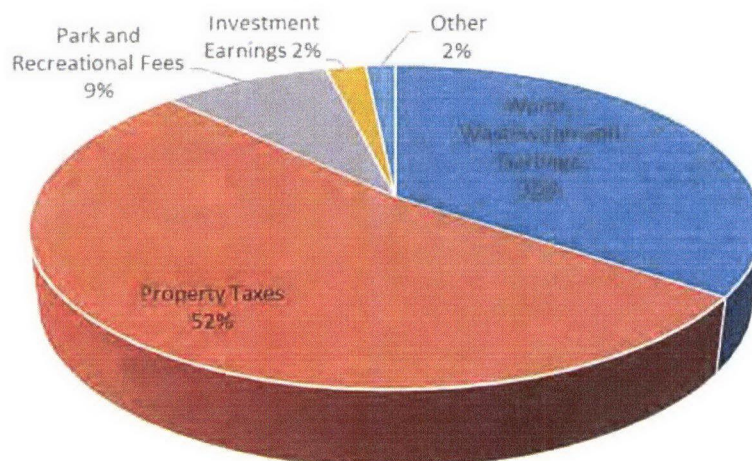
|                                       | Summary of Changes in the Statement of Activities |               |                                  |
|---------------------------------------|---|---------------|----------------------------------|
|                                       | 2018  | 2017          | Change<br>Positive<br>(Negative) |
| Revenues:                             |   |               |                                  |
| Water, Wastewater and Garbage         | \$ 6,771,211                                      | \$ 6,584,599  | \$ 186,612                       |
| Property Taxes                        | 9,928,287   | 9,204,401     | 723,886                          |
| Park and Recreational Fees            | 1,673,060   | 1,546,489     | 126,571                          |
| Investment Earnings                   | 396,731   | 220,999       | 175,732                          |
| Contributed Assets                    | 1,932   | 1,710         | 222                              |
| Other                                 | 295,508   | 427,668       | (132,160)                        |
| Total Revenues                        | 19,066,729  | 17,985,866    | 1,080,863                        |
| Expenses:                             |   |               |                                  |
| Water, Wastewater and Garbage         | 2,586,690   | 2,450,527     | (136,163)                        |
| Salary and Related Expenditures       | 4,213,953   | 3,980,555     | (233,398)                        |
| Administrative                        | 1,021,688   | 943,326       | (78,362)                         |
| Repairs and Maintenance               | 876,860   | 1,122,722     | 245,862                          |
| Utilities                             | 624,474   | 536,614       | (87,860)                         |
| Professional Fees                     | 286,027   | 269,419       | (16,608)                         |
| Contracted Services                   | 197,193   | 378,744       | 181,551                          |
| Other                                 | 342,184   | 356,166       | 13,982                           |
| Debt Service                          | 1,304,110   | 1,657,671     | 353,561                          |
| Depreciation                          | 3,061,544   | 2,746,605     | (314,939)                        |
| Total Expenses                        | 14,514,723  | 14,442,349    | (72,374)                         |
| Gain (Loss) on Sale of Capital Assets | 32,303  | (145,014)     | 177,317                          |
| Change in Net Position                | \$ 4,584,309                                      | \$ 3,398,503  | \$ 1,185,806                     |
| Net Position, Beginning of Year       | 30,693,278  | 27,294,775    | 3,398,503                        |
| Net Position, End of Year             | \$ 35,277,587                                     | \$ 30,693,278 | \$ 4,584,309                     |

The District's net property tax values increased by approximately \$ 172.8 million or 10% from \$1,795,727,604 to \$1,968,553,734 for District-wide and approximately \$62.1 million or 16% from \$390,949,120 to \$452,999,890 for the Defined Area. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District-wide and Defined Area rates decreased from \$0.465 to \$0.460 and \$0.225 to \$0.190, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$724,000 year-over-year. The District increased water rates by 3.5% effective March 1, 2018.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The District's main revenue sources are property taxes, utility services, and recreational fees.



**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Cash and Cash Equivalents   | \$ 1,433,228         | \$ 2,286,070         |
| Investments   | 24,703,958           | 22,565,304           |
| Receivables   | 713,441              | 712,214              |
| Interfund Receivables   | 1,012,061            | 2,657,628            |
| Prepays and Other Assets  | 52,395               | 228,421              |
| <b>Total Assets</b>   | <b>\$ 27,915,083</b> | <b>\$ 28,449,637</b> |
| Accounts Payable  | \$ 424,848           | \$ 837,426           |
| Refundable Deposits   | 663,189              | 666,118              |
| Other Liabilities   | 186,839              | 169,160              |
| Intefund Payables   | 1,012,061            | 2,657,628            |
| Unearned Revenue  | 129,643              | 87,003               |
| Retainage Payable   | 110,550              | 516,151              |
| <b>Total Liabilities</b>  | <b>2,527,130</b>     | <b>4,933,486</b>     |
| Deferred Inflows of Resources -   |                      |                      |
| Property Taxes  | 59,589               | 43,097               |
| Nonspendable  | 48,173               | 61,344               |
| Restricted  | 7,845,744            | 8,009,508            |
| Committed   | 5,703,709            | 4,587,522            |
| Unassigned  | 11,730,738           | 10,814,680           |
| <b>Total Fund Balance</b>   | <b>25,328,364</b>    | <b>23,473,054</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 27,915,083</b> | <b>\$ 28,449,637</b> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS (Continued)**

The District's combined fund balances as of September 30, 2018, were \$25,328,364, an increase of \$1,855,310 from the prior year.

The General Fund fund balance increased by \$1,931,941, primarily due to revenues and proceeds from the sale of capital assets exceeding budget by \$592,947 and \$32,303, respectively, and the expenses ending the year under budget by \$1,085,657. The *General Fund* pays for daily operating expenditures. The increase in revenues was seen equally in utilities, investments, recreation, fees, and services. Growth in recreation revenue was driven by increased membership. New development growth has slowed due to the District reaching near build out status which resulted in lower builder fees. There are no further developments that will be contributed to the District. Investment income continues to improve due to the improving economic conditions.

The Board committed \$5,703,709 of General Fund fund balance for specific future projects, of which most are expected to occur in fiscal year 2019. This is a \$1.12 million increase from the amount of projects committed at the end of fiscal year 2017. In addition to these committed funds, the Board of Directors has approved a resolution to set aside \$6,919,757 for a 6-month Operating Reserve and \$2,874,312 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The Debt Service Fund fund balance increased by \$441,620, primarily due to a transfer of capital recovery funds from the Capital Projects Fund to early redeem a portion of the District's Series 2009 bonds subsequent to year end.

The Capital Projects Fund fund balance decreased by \$518,251, primarily due to the transfer of capital recovery funds to the Debt Service Fund to early redeem a portion of the District's Series 2009 bonds subsequent to year end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In compliance with governmental accounting principles, the Board of Directors adopted an unappropriated budget for the General Fund during the current fiscal year, which was amended during the year. Actual revenues were \$592,947 more than budgeted revenues primarily from greater than expected service revenues and investment earnings. Actual expenditures were \$1,085,657 less than budgeted expenditures primarily from lower than expected capital outlay, water and wastewater purchases and contracted services. The District also had unbudgeted proceeds from disposal of assets of \$32,303.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSETS**

Capital assets as of September 30, 2018, totaled \$55,411,762 (net of accumulated depreciation). These capital assets include land, construction in progress, buildings, furniture, fixtures, and equipment, park and recreational facilities as well as the water, wastewater and drainage systems.

**Capital Assets At Year-End, Net of Accumulated Depreciation**

|  | 2018                 | 2017                 | Change<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------------------|
| Capital Assets:                            |                      |                      |                                  |
| Depreciation:                              |                      |                      |                                  |
| Land                                       | 3,211,879            | 3,211,879            |                                  |
| Construction in Process                    | 607,160              | 964,979              | (357,819)                        |
| Waster, Wastewater and Drainage<br>Systems | 84,770,886           | 84,804,820           | (33,934)                         |
| Easements and Rights-of-Way                | 901,890              | 901,890              |                                  |
| Buildings and Improvements                 | 12,206,015           | 6,410,050            | 5,795,965                        |
| Furniture and Equipment                    | 1,226,387            | 1,116,986            | 109,401                          |
| Parks and Recreational Facilities          | 8,500,331            | 12,232,384           | (3,732,053)                      |
| Automobiles and Trucks                     | 496,840              | 496,840              |                                  |
| Accumulated Depreciation                   | (56,509,626)         | (54,017,060)         | (2,492,566)                      |
| Total Net Capital Assets                   | <u>\$ 55,411,762</u> | <u>\$ 56,122,768</u> | <u>\$ (711,006)</u>              |

The last infrastructure acquired from a developer occurred in fiscal year 2015. There are no future acquisitions from a developer planned.

Four new park projects that were started in fiscal year 2017 were completed in fiscal year 2018: the \$400,000 Sendero Springs trail improvements and the \$750,000 playground improvements in Sendero Valley Park, Pepper Rock Park, and Highland Horizon Park. Design began for the replacement of the Community Park Play Ground and park sign at Cat Hollow Park. The design plans for the Cat Hollow Park restroom expansion were completed and will be bid in fiscal year 2019.

The District completed the construction of Ground Well #6 in 2018 and received approval from the Texas Commission on Environmental Quality to activate the well on December 2, 2018. This \$500,000 project is expected to add over a million gallons a day to the District's raw water supply.

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**LONG-TERM DEBT ACTIVITY**

At year-end, the District had total bond debt payable of \$44,520,000. The long-term debt of the District consisted of the following during the fiscal year ended September 30, 2018 and 2017, respectively:

|                             | <u>2018</u>          | <u>2017</u>          |
|-----------------------------|----------------------|----------------------|
| District-wide:              |                      |                      |
| Series 2005 Bonds           | \$ 1,165,000         | \$ 1,165,000         |
| Series 2009 Refunding Bonds | 1,405,000            | 1,600,000            |
| Series 2010 Refunding Bonds | 8,825,000            | 9,995,000            |
| Series 2011 Refunding Bonds | 2,045,000            | 2,055,000            |
| Series 2012 Refunding Bonds | 7,475,000            | 8,230,000            |
| Series 2013 Refunding Bonds | 6,010,000            | 6,025,000            |
| Series 2016 Revenue Note    | 5,805,000            | 6,210,000            |
| Total District-wide         | <u>32,730,000</u>    | <u>35,280,000</u>    |
| Defined Area:               |                      |                      |
| Series 2009 Bonds           | 155,000              | 225,000              |
| Series 2011 Bonds           | 1,950,000            | 2,030,000            |
| Series 2013 Bonds           | 3,070,000            | 3,165,000            |
| Series 2015 Refunding Bonds | 3,360,000            | 3,475,000            |
| Series 2015 Bonds           | 3,255,000            | 3,355,000            |
| Total Defined Area          | <u>11,790,000</u>    | <u>12,250,000</u>    |
| Total                       | <u>\$ 44,520,000</u> | <u>\$ 47,530,000</u> |

The District's district-wide and defined area bonds have the following future payment requirements:

| <u>District-wide:</u> |                      |                     |                          |
|-----------------------|----------------------|---------------------|--------------------------|
| <u>Fiscal Year</u>    | <u>Principal</u>     | <u>Interest</u>     | <u>Total Requirement</u> |
| 2019                  | \$ 2,645,000         | \$ 1,096,722        | \$ 3,741,722             |
| 2020                  | 2,745,000            | 1,008,378           | 3,753,378                |
| 2021                  | 2,850,000            | 911,449             | 3,761,449                |
| 2022                  | 2,955,000            | 810,235             | 3,765,235                |
| 2023                  | 3,065,000            | 704,604             | 3,769,604                |
| 2024-2028             | 17,375,000           | 1,898,854           | 19,273,854               |
| 2029-2030             | 1,095,000            | 43,391              | 1,138,391                |
|                       | <u>\$ 32,730,000</u> | <u>\$ 6,473,633</u> | <u>\$ 39,203,633</u>     |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**LONG-TERM DEBT ACTIVITY (Continued)**

| Defined Area: |               |              |                   |
|---------------|---------------|--------------|-------------------|
| Fiscal Year   | Principal     | Interest     | Total Requirement |
| 2019          | \$ 470,000    | \$ 450,438   | \$ 920,438        |
| 2020          | 495,000       | 436,326      | 931,326           |
| 2021          | 510,000       | 420,076      | 930,076           |
| 2022          | 535,000       | 403,926      | 938,926           |
| 2023          | 555,000       | 386,701      | 941,701           |
| 2024-2028     | 3,125,000     | 1,634,085    | 4,759,085         |
| 2029-2033     | 3,830,000     | 986,357      | 4,816,357         |
| 2034-2038     | 2,045,000     | 316,249      | 2,361,249         |
| 2039          | 225,000       | 8,442        | 233,442           |
|               | \$ 11,790,000 | \$ 5,042,600 | \$ 16,832,600     |

The District's Series 2005, Series 2009 Refunding, Series 2010 Refunding, Series 2012 Refunding, and Series 2013 Refunding carry an underlying rating of "AA-". The District's other bonds are not rated. The Series 2005 and Series 2010 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The ratings above are based on rating at September 30, 2018.

More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The amount of assessed value of property within the District-wide area for the 2018 tax year (September 30, 2019 fiscal year) is approximately \$2.1 billion and the tax rate levied was \$0.46 per \$100 of assessed valuation consisting of \$0.32 per \$100 of assessed valuation for maintenance and operations and \$0.14 per \$100 of assessed valuation for debt service. The amount of assessed value of property within the Defined Area for the 2018 tax year is approximately \$494 million and the tax rate levied was \$0.175 per \$100 of assessed valuation for debt service.

The adopted budget for fiscal year 2019 projects a General Fund balance increase of \$306,741.

Construction of homes in the last residential development in the District completed in 2017. As the District reached residential build out, the last remaining commercial properties are also being developed in the RR 620 corridor. All commercial property in the FM 1431 corridor has been developed. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (Continued)**

In January 2017, the District sold the Brushy Bend water system. This sale will only slightly reduce overall water revenues because the purchaser is now buying water from the District under a wholesale contract. The sale of the system will reduce operating costs as District staff are no longer maintaining the system.

Effective March 1, 2018 the District increased water rates by 3.5%. The increase was approved following completion of a rate study by an independent contractor. This was the first water rate increase since 2004.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brushy Creek Municipal Utility District, 16318 Great Oaks Drive, Round Rock, Texas 78681.



# FINANCIAL STATEMENTS

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2018**

|  | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments          | Statement of<br>Net Position |
|--|----------------------|----------------------|--------------------------|----------------------|----------------------|------------------------------|
| <b>ASSETS</b>  |                      |                      |                          |                      |                      |                              |
| Cash and Investments:  |                      |                      |                          |                      |                      |                              |
| Cash   | \$ 905,782           | \$ 9,186             | \$                       | \$ 914,968           | \$                   | \$ 914,968                   |
| Investments -  | 16,657,699           | 4,658,994            | 2,717,766                | 24,034,459           |                      | 24,034,459                   |
| Cash with Paying Agent   |                      | 518,260              |                          | 518,260              |                      | 518,260                      |
| Receivables:   |                      |                      |                          |                      |                      |                              |
| Service Accounts (Net of Allowance for<br>Uncollectible Accounts of \$120,616) | 640,504              |                      |                          | 640,504              |                      | 640,504                      |
| Taxes  | 32,154               | 27,435               |                          | 59,589               |                      | 59,589                       |
| Other  | 13,348               |                      |                          | 13,348               |                      | 13,348                       |
| Due from Other Funds   | 884,434              |                      | 127,627                  | 1,012,061            | (1,012,061)          |                              |
| Prepaid Items  | 48,173               | 3,969                | 253                      | 52,395               |                      | 52,395                       |
| Investments Held for Customer Deposits   | 669,499              |                      |                          | 669,499              |                      | 669,499                      |
| Net Pension Asset  |                      |                      |                          |                      | 341,132              | 341,132                      |
| Capital Assets (Net of Accumulated<br>Depreciation):                           |                      |                      |                          |                      |                      |                              |
| Land   |                      |                      |                          |                      | 3,211,879            | 3,211,879                    |
| Construction in Progress   |                      |                      |                          |                      | 607,160              | 607,160                      |
| Water, Wastewater and Drainage Systems   |                      |                      |                          |                      | 35,191,564           | 35,191,564                   |
| Easements and Rights-of-Way  |                      |                      |                          |                      | 584,671              | 584,671                      |
| Building and Improvements  |                      |                      |                          |                      | 10,022,910           | 10,022,910                   |
| Furniture and Equipment  |                      |                      |                          |                      | 850,496              | 850,496                      |
| Park and Recreational Facilities   |                      |                      |                          |                      | 4,776,044            | 4,776,044                    |
| Automobiles and Trucks   |                      |                      |                          |                      | 167,038              | 167,038                      |
| <b>TOTAL ASSETS</b>  | <u>\$ 19,851,593</u> | <u>\$ 5,217,844</u>  | <u>\$ 2,845,646</u>      | <u>\$ 27,915,083</u> | <u>\$ 54,740,833</u> | <u>\$ 82,655,916</u>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                      |                      |                          |                      |                      |                              |
| Deferred Charges on Refunding Bonds  | \$                   | \$                   | \$                       | \$                   | \$ 152,728           | \$ 152,728                   |
| Pension  |                      |                      |                          |                      | 169,711              | 169,711                      |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>RESOURCES</b>                                | <u>\$ -0-</u>        | <u>\$ -0-</u>        | <u>\$ -0-</u>            | <u>\$ -0-</u>        | <u>\$ 322,439</u>    | <u>\$ 322,439</u>            |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>                     | <u>\$ 19,851,593</u> | <u>\$ 5,217,844</u>  | <u>\$ 2,845,646</u>      | <u>\$ 27,915,083</u> | <u>\$ 55,063,272</u> | <u>\$ 82,978,355</u>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET - Continued  
SEPTEMBER 30, 2018**

|   | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments            | Statement of<br>Net Position |
|---|----------------------|----------------------|--------------------------|----------------------|------------------------|------------------------------|
| <b>LIABILITIES</b>  |                      |                      |                          |                      |                        |                              |
| Current Liabilities:  |                      |                      |                          |                      |                        |                              |
| Accounts Payable  | \$ 424,848           | \$                   | \$                       | \$ 424,848           | \$                     | \$ 424,848                   |
| Retainage Payable   | 110,550              |                      |                          | 110,550              |                        | 110,550                      |
| Customer Deposits   | 663,189              |                      |                          | 663,189              |                        | 663,189                      |
| Other Liabilities   | 186,839              |                      |                          | 186,839              |                        | 186,839                      |
| Due to Other Funds  |                      | 471,551              | 540,510                  | 1,012,061            | (1,012,061)            |                              |
| Unearned Revenue  | 129,643              |                      |                          | 129,643              |                        | 129,643                      |
| Bonds Interest Payable  |                      |                      |                          |                      | 515,721                | 515,721                      |
| Accrued Vacation Payable  |                      |                      |                          |                      | 73,004                 | 73,004                       |
| Noncurrent Liabilities:   |                      |                      |                          |                      |                        |                              |
| Due Within One Year   |                      |                      |                          |                      | 3,115,000              | 3,115,000                    |
| Due After One Year  |                      |                      |                          |                      | 42,438,257             | 42,438,257                   |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 1,515,069</u>  | <u>\$ 471,551</u>    | <u>\$ 540,510</u>        | <u>\$ 2,527,130</u>  | <u>\$ 45,129,921</u>   | <u>\$ 47,657,051</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                      |                          |                      |                        |                              |
| Property Taxes  | \$ 32,154            | \$ 27,435            | \$ -0-                   | \$ 59,589            | \$ (59,589)            | \$ -0-                       |
| Pension   |                      |                      |                          |                      | 43,717                 | 43,717                       |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES</b>                                    | <u>\$ 32,154</u>     | <u>\$ 27,435</u>     | <u>\$ -0-</u>            | <u>\$ 59,589</u>     | <u>\$ (15,872)</u>     | <u>\$ 43,717</u>             |
| <b>FUND BALANCES</b>  |                      |                      |                          |                      |                        |                              |
| Nonspendable-   |                      |                      |                          |                      |                        |                              |
| Prepaid Items   | \$ 48,173            | \$                   | \$                       | \$ 48,173            | \$ (48,173)            | \$                           |
| Restricted for:   |                      |                      |                          |                      |                        |                              |
| Debt Service  |                      | 4,718,858            |                          | 4,718,858            | (4,718,858)            |                              |
| Capital Projects  |                      |                      | 2,305,136                | 2,305,136            | (2,305,136)            |                              |
| Park Capital Fees   | 821,750              |                      |                          | 821,750              | (821,750)              |                              |
| Committed for -   |                      |                      |                          |                      |                        |                              |
| Repair and Replacement of Capital Assets  | 5,703,709            |                      |                          | 5,703,709            | (5,703,709)            |                              |
| Unassigned  | 11,730,738           |                      |                          | 11,730,738           | (11,730,738)           |                              |
| <b>TOTAL FUND BALANCES</b>  | <u>\$ 18,304,370</u> | <u>\$ 4,718,858</u>  | <u>\$ 2,305,136</u>      | <u>\$ 25,328,364</u> | <u>\$ (25,328,364)</u> | <u>\$ - 0 -</u>              |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES AND<br/>FUND BALANCES</b> | <u>\$ 19,851,593</u> | <u>\$ 5,217,844</u>  | <u>\$ 2,845,646</u>      | <u>\$ 27,915,083</u> |                        |                              |
| <b>NET POSITION</b>   |                      |                      |                          |                      |                        |                              |
| Net Investment in Capital Assets  |                      |                      |                          |                      | \$ 12,316,369          | \$ 12,316,369                |
| Restricted for Debt Service   |                      |                      |                          |                      | 4,230,572              | 4,230,572                    |
| Restricted for Parks Capital Fees   |                      |                      |                          |                      | 821,750                | 821,750                      |
| Unrestricted  |                      |                      |                          |                      | 17,908,896             | 17,908,896                   |
| <b>TOTAL NET POSITION</b>   |                      |                      |                          |                      | <u>\$ 35,277,587</u>   | <u>\$ 35,277,587</u>         |

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

|  |               |
|--|---------------|
| Total Fund Balances - Governmental Funds | \$ 25,328,364 |
|--|---------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

|   |            |
|---|------------|
| Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | 55,411,762 |
|---|------------|

|   |         |
|---|---------|
| Deferred charges on refunding bonds are not an expenditure of the current period. | 152,728 |
|---|---------|

Pension related amounts are not recorded in the governmental funds. These consist of:

|                                |          |
|--------------------------------|----------|
| Net Pension Asset              | 341,132  |
| Deferred Outflows of Resources | 169,711  |
| Deferred Inflows of Resources  | (43,717) |

|   |        |
|---|--------|
| Deferred tax revenues for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. | 59,589 |
|---|--------|

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

|   |                     |                     |
|---|---------------------|---------------------|
| Accrued Interest Payable                  | \$ (515,721)        |                     |
| Accrued Vacation Payable                  | (73,004)            |                     |
| Long-Term Liabilities Due Within One Year | (3,115,000)         |                     |
| Long-Term Liabilities Due After One Year  | <u>(42,438,257)</u> | <u>(46,141,982)</u> |

|  |                      |
|--|----------------------|
| Total Net Position - Governmental Activities | <u>\$ 35,277,587</u> |
|--|----------------------|

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

|  | General Fund         | Debt<br>Service Fund | Capital<br>Projects Fund | Total                | Adjustments           | Statement of<br>Activities |
|--|----------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------------|
| <b>REVENUES</b>  |                      |                      |                          |                      |                       |                            |
| Program Revenue:   |                      |                      |                          |                      |                       |                            |
| Water and Wastewater Services  | \$ 5,385,725         | \$                   | \$                       | \$ 5,385,725         | \$                    | \$ 5,385,725               |
| Park and Recreation Center Fees  | 1,673,060            |                      |                          | 1,673,060            |                       | 1,673,060                  |
| Garbage Collection   | 1,385,486            |                      |                          | 1,385,486            |                       | 1,385,486                  |
| Capital Recovery Fees  |                      |                      | 9,748                    | 9,748                |                       | 9,748                      |
| Inspection Fees  | 27,685               |                      |                          | 27,685               |                       | 27,685                     |
| Tap and Other Connection Fees  | 3,074                |                      |                          | 3,074                |                       | 3,074                      |
| Contributions  | 1,932                |                      |                          | 1,932                |                       | 1,932                      |
| General Revenue:   |                      |                      |                          |                      |                       |                            |
| Property Taxes   | 5,903,594            | 4,008,201            |                          | 9,911,795            | 16,492                | 9,928,287                  |
| Investment Earnings  | 284,545              | 72,603               | 39,583                   | 396,731              |                       | 396,731                    |
| Rental Income  | 96,533               |                      |                          | 96,533               |                       | 96,533                     |
| Other  | 158,468              |                      |                          | 158,468              |                       | 158,468                    |
| <b>TOTAL REVENUES</b>  | <b>\$ 14,920,102</b> | <b>\$ 4,080,804</b>  | <b>\$ 49,331</b>         | <b>\$ 19,050,237</b> | <b>\$ 16,492</b>      | <b>\$ 19,066,729</b>       |
| <b>EXPENDITURES/EXPENSES</b>   |                      |                      |                          |                      |                       |                            |
| Service Operations:  |                      |                      |                          |                      |                       |                            |
| Salary and Benefits  | \$ 4,261,308         | \$                   | \$                       | \$ 4,261,308         | \$ (73,005)           | \$ 4,188,303               |
| Water and Wastewater Purchases   | 1,348,904            |                      |                          | 1,348,904            |                       | 1,348,904                  |
| Garbage Fees   | 1,237,786            |                      |                          | 1,237,786            |                       | 1,237,786                  |
| Repairs and Maintenance  | 876,860              |                      |                          | 876,860              |                       | 876,860                    |
| Administrative   | 1,021,688            |                      |                          | 1,021,688            |                       | 1,021,688                  |
| Utilities  | 624,474              |                      |                          | 624,474              |                       | 624,474                    |
| Contracted Services  | 190,618              | 6,575                |                          | 197,193              |                       | 197,193                    |
| Legal Fees   | 112,648              |                      |                          | 112,648              |                       | 112,648                    |
| Insurance  | 79,303               |                      |                          | 79,303               |                       | 79,303                     |
| Engineering Fees   | 106,155              |                      |                          | 106,155              |                       | 106,155                    |
| Tax Appraisal/Collection Fees  |                      | 64,019               |                          | 64,019               |                       | 64,019                     |
| Audit Fees   | 39,000               |                      |                          | 39,000               |                       | 39,000                     |
| Financial Advisor  | 20,000               |                      |                          | 20,000               |                       | 20,000                     |
| Director's Fees  | 25,650               |                      |                          | 25,650               |                       | 25,650                     |
| Security Fees  | 8,224                |                      |                          | 8,224                |                       | 8,224                      |
| Other  | 198,761              | 55                   | 46                       | 198,862              |                       | 198,862                    |
| Capital Outlay   | 2,300,762            |                      | 49,776                   | 2,350,538            | (2,350,538)           |                            |
| Debt Service:  |                      |                      |                          |                      |                       |                            |
| Principal Payments   | 405,000              | 2,605,000            |                          | 3,010,000            | (3,010,000)           |                            |
| Interest and Fiscal Charges  | 163,323              | 1,481,295            |                          | 1,644,618            | (340,508)             | 1,304,110                  |
| Depreciation   |                      |                      |                          |                      | 3,061,544             | 3,061,544                  |
| <b>TOTAL EXPENDITURES/EXPENSES</b>   | <b>\$ 13,020,464</b> | <b>\$ 4,156,944</b>  | <b>\$ 49,822</b>         | <b>\$ 17,227,230</b> | <b>\$ (2,712,507)</b> | <b>\$ 14,514,723</b>       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES/<br/>EXPENSES</b> | <b>\$ 1,899,638</b>  | <b>\$ (76,140)</b>   | <b>\$ (491)</b>          | <b>\$ 1,823,007</b>  | <b>\$ 2,728,999</b>   | <b>\$ 4,552,006</b>        |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                      |                      |                          |                      |                       |                            |
| Transfers In (Out)   | \$                   | \$ 517,760           | \$ (517,760)             | \$                   | \$                    | \$                         |
| Sale of Capital Assets   | 32,303               |                      |                          | 32,303               |                       | 32,303                     |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                                    | <b>\$ 32,303</b>     | <b>\$ 517,760</b>    | <b>\$ (517,760)</b>      | <b>\$ 32,303</b>     | <b>\$ -0-</b>         | <b>\$ 32,303</b>           |
| <b>NET CHANGE IN FUND BALANCES</b>   | <b>\$ 1,931,941</b>  | <b>\$ 441,620</b>    | <b>\$ (518,251)</b>      | <b>\$ 1,855,310</b>  | <b>\$ (1,855,310)</b> | <b>\$</b>                  |
| <b>CHANGE IN NET POSITION</b>  |                      |                      |                          |                      |                       |                            |
| <b>FUND BALANCES/NET POSITION -<br/>OCTOBER 1, 2017</b>                            | <b>16,372,429</b>    | <b>4,277,238</b>     | <b>2,823,387</b>         | <b>23,473,054</b>    | <b>7,220,224</b>      | <b>30,693,278</b>          |
| <b>FUND BALANCES/NET POSITION -<br/>SEPTEMBER 30, 2018</b>                         | <b>\$ 18,304,370</b> | <b>\$ 4,718,858</b>  | <b>\$ 2,305,136</b>      | <b>\$ 25,328,364</b> | <b>\$ 9,949,223</b>   | <b>\$ 35,277,587</b>       |

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

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

|  |    |                  |
|--|----|------------------|
| Net Change in Fund Balances - Governmental Funds   | \$ | 1,855,310        |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |    |                  |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.   |    | 16,492           |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.   |    | (3,061,544)      |
| Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.  |    | 2,350,538        |
| Governmental funds report bond discounts, bond premiums and deferred charges on refunding bonds as other financing sources/uses in the year paid. However, in the Statement of Net Position, the bond discounts, bond premiums and deferred charges on refunding bonds are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. |    | 103,729          |
| Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.  |    | 3,010,000        |
| 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 the governmental funds.  |    |                  |
| Change in accrued vacation   |    | 564              |
| Change in pension related accounts   |    | 72,441           |
| Change in bond interest payable  |    | 236,779          |
| Change in Net Position - Governmental Activities   | \$ | <u>4,584,309</u> |

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

**NOTES TO THE  
FINANCIAL STATEMENTS**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1. CREATION OF DISTRICT**

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 District, as a reporting entity, encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is a political subdivision of the State of Texas governed by a five-member Board of Directors 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") since it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. In addition, there are no component units included in the District's reporting entity.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB. In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds:

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues and costs and general operating expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

The District provides for uncollectible service 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. The District had an allowance for uncollectible accounts at September 30, 2018 of \$120,616.

Capital Assets

Capital assets, which include land, construction in progress, infrastructure assets, easements and rights-of-way, buildings and improvements, furniture and equipment, park and recreational facilities, and automobiles and trucks are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets to the District are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs, if any, are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least five years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

|  | <u>Years</u> |
|--|--------------|
| Easements and Rights-of-Way            | 40           |
| Buildings and Improvements             | 10-40        |
| Water, Wastewater and Drainage Systems | 7-50         |
| Park and Recreational Facilities       | 10-22        |
| Furniture and Equipment                | 6-10         |
| Automobiles and Trucks                 | 5            |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund financial statements.

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Compensated Absences

Accrued paid time off is earned by each full-time employee at a rate of between 13.30 and 17.97 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, 2018 was \$73,004. This liability is generally liquidated through the General Fund.

Pensions

The District participates in an agent multiple-employer defined benefit pension plan. The fiduciary net position of the Texas County and District Retirement System ("TCDRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. See further discussion of committed fund balance at Note 10.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District authorized the General Manager to have the authority to assign any amount of funds which may occur subsequent to fiscal year end. The District has no assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net position or fund balance.

Fair Value Measurements

The District follows GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2018:

|                                | Balance<br>September 30,<br>2017 | Additions       | Retirements           | Balance<br>September 30,<br>2018 |
|--------------------------------|----------------------------------|-----------------|-----------------------|----------------------------------|
| Bonds Payable and Revenue Note | \$ 47,530,000                    | \$              | \$ (3,010,000)        | \$ 44,520,000                    |
| Premium on Bond Issuances      | 1,191,389                        |                 | (114,834)             | 1,076,555                        |
| Discount on Bond Issuances     | (44,387)                         |                 | 1,089                 | (43,298)                         |
| <b>Total</b>                   | <b>\$ 48,677,002</b>             | <b>\$ - 0 -</b> | <b>\$ (3,123,745)</b> | <b>\$ 45,553,257</b>             |

Long-term debt at September 30, 2018, is comprised of the following:

|   | Balance<br>September 30,<br>2018 | Due Within<br>One Year |
|---|----------------------------------|------------------------|
| \$9,500,000 Series 2005 serial bonds due in two annual installments of \$570,000 and \$595,000 on June 1, 2019 and 2020. Interest is 3.00% and is payable June 1 and December 1 each year.  | \$ 1,165,000                     | \$ 570,000             |
| \$2,365,000 Series 2009 Sendero Springs/Cornerstone Defined Area serial bonds due in two annual installments of \$75,000 and \$80,000 on June 1, 2019 and 2020. Interest is 5.25% and is payable June 1 and December 1 each year.         | 155,000                          | 75,000                 |
| \$7,975,000 Series 2009 refunding bonds due in annual installments of \$210,000 to \$265,000 through June 1, 2024. Interest varies from 4.00% to 4.625% and is payable June 1 and December 1 each year.                                   | 1,405,000                        | 210,000                |
| \$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 2.50% to 4.00% and is payable June 1 and December 1 each year.                                 | 8,825,000                        | 1,215,000              |
| \$2,370,000 Series 2011 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December each year. | 1,950,000                        | 80,000                 |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

|  |                      |                    |
|--|----------------------|--------------------|
| \$2,085,000 Series 2011 refunding bonds due in annual installments of \$175,000 to \$245,000 through June 1, 2028. Interest is 3.84% and is payable June 1 and December 1 each year.   | 2,045,000            | 175,000            |
| \$9,260,000 Series 2012 refunding bonds due in annual installments of \$40,000 to \$1,600,000 through June 1, 2028. Interest is 3.00% and is payable June 1 and December 1 each year.  | 7,475,000            | 40,000             |
| \$6,125,000 Series 2013 refunding bonds due in annual installments of \$15,000 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.                                      | 6,010,000            | 15,000             |
| \$3,500,000 Series 2013 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$95,000 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.  | 3,070,000            | 95,000             |
| \$3,625,000 Series 2015 refunding bonds due in annual installments of \$120,000 to \$300,000 through June 1, 2033. Interest varies from 2.00% to 3.75% and is payable June 1 and December 1 each year.                                       | 3,360,000            | 120,000            |
| \$3,530,000 Series 2015 Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$100,000 to \$225,000 through June 1, 2039. Interest varies from 2.00% to 3.75% and is payable June 1 and December 1 each year. | 3,255,000            | 100,000            |
| \$6,605,000 Series 2016 Term Note (Community Center) is due in annual installments of \$420,000 to \$555,000 through June 1, 2030. Interest is 2.63% and is payable June 1 and December 1 each year.   | <u>5,805,000</u>     | <u>420,000</u>     |
| Total Long-Term Debt   | <u>\$ 44,520,000</u> | <u>\$3,115,000</u> |

As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

|           | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------|----------------------|----------------------|----------------------|
| 2019      | \$ 3,115,000         | \$ 1,547,160         | \$ 4,662,160         |
| 2020      | 3,240,000            | 1,444,704            | 4,684,704            |
| 2021      | 3,360,000            | 1,331,525            | 4,691,525            |
| 2022      | 3,490,000            | 1,214,161            | 4,704,161            |
| 2023      | 3,620,000            | 1,091,305            | 4,711,305            |
| 2024-2028 | 20,500,000           | 3,532,939            | 24,032,939           |
| 2029-2033 | 4,925,000            | 1,029,748            | 5,954,748            |
| 2034-2038 | 2,045,000            | 316,249              | 2,361,249            |
| 2039      | 225,000              | 8,442                | 233,442              |
|           | <u>\$ 44,520,000</u> | <u>\$ 11,516,233</u> | <u>\$ 56,036,233</u> |



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

As of September 30, 2018, the District had \$12,815,000 of bonds authorized but unissued of which \$10,715,000 is for improvements to the Defined Area water, wastewater, and drainage systems and \$2,100,000 is for improvements to the District-wide water systems.

During the year ended September 30, 2018, the District levied an ad valorem District-wide debt service tax rate of \$0.16 per \$100 of assessed valuation, which resulted in a tax levy of \$3,149,892 on the adjusted taxable valuation of \$1,968,553,734 for the 2017 tax year. The District also levied an ad valorem Defined Area debt service tax rate of \$0.19 per \$100 of assessed valuation, which resulted in a tax levy of \$860,701 on the adjusted taxable valuation of \$452,999,890 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2018.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the Bonds sold, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,667,804 and the bank balance was \$3,833,691. Of the bank balance, \$508,791 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2018, as listed below:

|                       | Cash              | Money<br>Markets  | Certificates<br>of Deposit | Total               |
|-----------------------|-------------------|-------------------|----------------------------|---------------------|
| GENERAL FUND          | \$ 905,782        | \$ 666,329        | \$ 2,086,507               | \$ 3,658,618        |
| DEBT SERVICE FUND     | 9,186             | -                 | -                          | 9,186               |
| <b>TOTAL DEPOSITS</b> | <u>\$ 914,968</u> | <u>\$ 666,329</u> | <u>\$ 2,086,507</u>        | <u>\$ 3,667,804</u> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth and yield, sixth. The District's investments must be made "with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. 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.

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

|                                      | Net Asset Value,<br>Cost or Amortized<br>Cost | Fair Value           |                 |                 | Total                | Weighted Average<br>Maturity (Days) |
|--------------------------------------|---|----------------------|-----------------|-----------------|----------------------|-------------------------------------|
|                                      |   | Level 1              | Level 2         | Level 3         |                      |                                     |
| Money Market                         | \$ 666,329                                    | \$                   | \$              | \$              | \$ 666,329           |                                     |
| Certificates of Deposit              | 2,086,507                                     |                      |                 |                 | 2,086,507            | 18                                  |
| Investment Pools                     |   |                      |                 |                 |                      |                                     |
| TexPool (amortized cost)             | 1,458,372                                     |                      |                 |                 | 1,458,372            |                                     |
| LOGIC (net asset value)              | <u>384,929</u>                                |                      |                 |                 | <u>384,929</u>       |                                     |
| Total Investment Pools               | 1,843,301                                     |                      |                 |                 | 1,843,301            |                                     |
| U.S. Government Agency<br>Securities |   | 11,930,545           |                 |                 | 11,930,545           | 121                                 |
| Treasury Coupons                     |   | <u>8,177,276</u>     |                 |                 | <u>8,177,276</u>     | <u>86</u>                           |
| Total Investments                    | <u>\$ 4,596,137</u>                           | <u>\$ 20,107,821</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ 24,703,958</u> | <u>225</u>                          |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

U.S. Treasury Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

At September 30, 2018, the investment portfolio weighted average maturity was 225 days.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District also invests in Local Government Investment Cooperative (“LOGIC”), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District’s funds. LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials (“TASBO”). LOGIC meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

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 is the risk that the 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, 2018, the District’s investments in TexPool and LOGIC were rated “AAAm” by Standard and Poor’s. The District’s investments in municipal bonds, U.S. agencies coupon securities and certificates of deposit had ratings from Standard and Poor’s in compliance with the District’s investment policy.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. At September 30, 2018, the District's investment portfolio was comprised primarily of the following issuers:

| <u>Issuer</u>                               | <u>Amount</u>        | <u>% of Total<br/>Investments</u> | <u>Standard &amp; Poor's<br/>Rating</u> |
|---|----------------------|-----------------------------------|---|
| US Treasury Notes                           | \$ 8,177,276         | 33.1 %                            | AA+                                     |
| US Agencies:                                |                      |                                   |   |
| Federal Home Loan Bank                      | 6,468,455            | 26.2                              | AA+                                     |
| Federal Home Loan Mortgage Company          | 990,100              | 4.0                               | AA+                                     |
| Federal National Mortgage Company           | 2,471,500            | 10.0                              | AA+                                     |
| Federal Agriculture Mortgage Corp.          | 2,000,490            | 8.1                               | AA+                                     |
| 2a7-like Local Government Investment Pools: |                      |                                   |   |
| TexPool                                     | 1,458,372            | 5.9                               | AAAm                                    |
| LOGIC                                       | 384,929              | 1.6                               | AAAm                                    |
| Money Market/Demand Deposits                | 666,329              | 2.7                               | Various                                 |
| Certificates of Deposit                     | <u>2,086,507</u>     | <u>8.4</u>                        | Various                                 |
| Total Investments                           | <u>\$ 24,703,958</u> | <u>100.0 %</u>                    |   |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool, LOGIC and the money market funds to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. Certificates of deposit, U.S. agencies coupon securities and U.S. treasury notes held by the District have set interest rates.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6. 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, 2018 is as follows:

| Receivable<br>Fund | Payable Fund     | Amount       |
|--------------------|------------------|--------------|
| General            | Debt Service     | \$ 343,924   |
| General            | Capital Projects | 540,510      |
| Capital Projects   | Debt Service     | 127,627      |
| Total              |                  | \$ 1,012,061 |

The Capital Projects Fund transferred \$517,760 of capital recovery funds to the Debt Service Fund to pay off a portion of the Series 2009 bonds subsequent to year end.

**NOTE 7. MAINTENANCE TAX**

The Williamson Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on August 24, 2017.

During the year ended September 30, 2018, the District levied an ad valorem District-wide maintenance tax rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$5,906,047 on the adjusted taxable valuation of \$1,968,553,734 for the 2017 tax year.

The District's tax calendar is as follows:

- Levy Date - October 1, as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt but not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

|  | Balance<br>September 30,<br>2017 | Additions          | Retirements and<br>Transfers | Balance<br>September 30,<br>2018 |
|--|----------------------------------|--------------------|------------------------------|----------------------------------|
| <b>Capital Assets, Not Being Depreciated:</b>      |                                  |                    |                              |                                  |
| Land   | \$ 3,211,879                     | \$                 | \$                           | \$ 3,211,879                     |
| Construction in Progress                           | 964,979                          | 340,409            | (698,228)                    | 607,160                          |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>4,176,858</b>                 | <b>340,409</b>     | <b>(698,228)</b>             | <b>3,819,039</b>                 |
| <b>Capital Assets, Being Depreciated:</b>          |                                  |                    |                              |                                  |
| Water, Wastewater, and Drainage Systems            | 84,804,820                       | 296,066            | (330,000)                    | 84,770,886                       |
| Easements and Rights-of-Way                        | 901,890                          |                    |                              | 901,890                          |
| Buildings and Improvements                         | 6,410,050                        | 1,248,823          | 4,547,142                    | 12,206,015                       |
| Furniture and Equipment                            | 1,116,986                        | 220,401            | (111,000)                    | 1,226,387                        |
| Park and Recreational Facilities                   | 12,232,384                       | 943,067            | (4,675,120)                  | 8,500,331                        |
| Automobiles and Trucks                             | 496,840                          |                    |                              | 496,840                          |
| <b>Total Capital Assets Being Depreciated</b>      | <b>105,962,970</b>               | <b>2,708,357</b>   | <b>(568,978)</b>             | <b>108,102,349</b>               |
| <b>Less Accumulated Depreciation For:</b>          |                                  |                    |                              |                                  |
| Water, Wastewater, and Drainage Systems            | (47,781,002)                     | (2,128,320)        | 330,000                      | (49,579,322)                     |
| Easements and Rights-of-Way                        | (294,672)                        | (22,547)           |                              | (317,219)                        |
| Buildings and Improvements                         | (1,869,394)                      | (335,711)          | 22,000                       | (2,183,105)                      |
| Furniture and Equipment                            | (344,294)                        | (142,597)          | 111,000                      | (375,891)                        |
| Park and Recreational Facilities                   | (3,455,598)                      | (374,667)          | 105,978                      | (3,724,287)                      |
| Automobiles and Trucks                             | (272,100)                        | (57,702)           |                              | (329,802)                        |
| <b>Total Accumulated Depreciation</b>              | <b>(54,017,060)</b>              | <b>(3,061,544)</b> | <b>568,978</b>               | <b>(56,509,626)</b>              |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>51,945,910</b>                | <b>(353,187)</b>   | <b>-</b>                     | <b>51,592,723</b>                |
| <b>Capital Assets, Net</b>                         | <b>\$ 56,122,768</b>             | <b>\$ (12,778)</b> | <b>\$ (698,228)</b>          | <b>\$ 55,411,762</b>             |

**NOTE 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 \$9,748 for the year ended September 30, 2018 and are within the Capital Projects Fund.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10. FUND BALANCES**

The Board committed \$5,703,709 of General Fund balance to pay for future repairs, replacements, and purchases of capital. The Amounts committed for funding capital projects as of September 30, 2018 are as follows:

|  |                     |
|--|---------------------|
| Utility Equipment Replacement                    | \$ 151,902          |
| Replacement of Water Facility Membranes          | 1,075,000           |
| Community Center Equipment Replacement           | 59,643              |
| Well #6 Construction                             | 30,000              |
| Park Master Plan Projects                        | 1,157,969           |
| BRA Water Line Reserves                          | 404,612             |
| Regional Waste Water Improvements Fund           | 564,389             |
| Maintenance Yard Engineering                     | 250,000             |
| Renovation of Maintenance Yard                   | 178,000             |
| Relocation of Utilities for Hairy Man Rd Project | 70,400              |
| Trail Washouts                                   | 325,000             |
| Drainage Improvements                            | 250,000             |
| Lift Station Improvements                        | 200,000             |
| Collection Lift Station Repairs                  | 60,000              |
| Community Center Expansion Engineering           | 137,194             |
| Future Waterline Replacements                    | 50,000              |
| A/C Unit for Well #3                             | 10,000              |
| WTP Generator Improvements Reserve Fund          | (74,500)            |
| SCADA Server Replacement (WTP)                   | 25,000              |
| Hoe Ram for Mini Excavator                       | 9,000               |
| F550 with Dump Bed                               | 50,000              |
| F250 to Replace Nissan Pickup                    | 25,000              |
| Community Park Playground                        | 245,100             |
| Community Park Amphitheatre                      | 250,000             |
| Highland Horizon Pool Building                   | 50,000              |
| Cat Hollow Pool Restrooms                        | 150,000             |
|  | <u>\$ 5,703,709</u> |



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 11. COMMITMENTS**

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.

**NOTE 12. DEFINED BENEFIT PENSION PLAN**

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through an agent multiple-employer nontraditional defined benefit pension plan administered by the 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 over 600 active participating counties and districts throughout Texas. 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.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

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 eight 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.

Benefits Provided

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.

Employee membership data related to the Plan, as of the valuation date of December 31, 2017 was as follows:

|   |     |
|---|-----|
| Retirees and beneficiaries currently receiving benefits         | 7   |
| Terminated employees entitled to but not yet receiving benefits | 261 |
| Active plan members   | 107 |
| Total   | 375 |

Contributions

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 5.93% for 2017 as adopted by the governing body of the District. The employee contribution rate was 6.00%. 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. The required contribution and actual contributions for the year ended December 31, 2017 equaled \$168,727 and \$173,616.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| Valuation Timing   | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.   |
| Actuarial Cost Method  | Entry Age Normal   |
| Amortization Method  | Straight-lined amortization over expected working life   |
| Asset Valuation Method   |  |
| Smoothing Period   | 5 years  |
| Recognition Method   | Non-asymptotic   |
| Corridor   | None   |
| Inflation  | 2.75%  |
| Salary Increases   | Varies by age and service. 4.9% average over career including inflation.   |
| Investment Rate of Return  | 8.10%  |
| Cost-of-Living Adjustments                                       | Cost-of-Living Adjustments for District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age   | Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for ages 40-44 up to a high of 25% for ages 65 and 66 for males and females.  |
| Turnover   | New employees are assumed to replace any terminated members and have similar entry ages.   |
| Mortality  |  |
| Depositing members   | 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014  |
| Service Retirees,<br>Beneficiaries and<br>Non-Depositing Members | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014   |
| Disabled Retirees  | 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014   |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
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SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

All actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

| Asset Class                        | Benchmark  | Target Allocation (1) | Geometric Real Rate of Return (Expected Minus Inflation) (2) |
|------------------------------------|--|-----------------------|--|
| U.S. Equities                      | Dow Jones U.S. Total Stock Market Index                                | 11.50%                | 4.55%  |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (3) | 16.00%                | 7.55%  |
| Global Equities                    | MSCI World (net) Index   | 1.50%                 | 4.85%  |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index  | 11.00%                | 4.55%  |
| Int'l Equities - Emerging Markets  | MSCI Emerging Markets (net) Index                                      | 8.00%                 | 5.55%  |
| Investment - Grade Bonds           | Bloomberg Barclays U.S. Aggregate Bond Index                           | 3.00%                 | 0.75%  |
| Strategic Credit                   | FTSE High-Yield Cash-Pay Capped Index                                  | 8.00%                 | 4.12%  |
| Direct Lending                     | S&P/LSTA Leveraged Loan Index  | 10.00%                | 8.06%  |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index (4)                   | 2.00%                 | 6.30%  |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index   | 2.00%                 | 4.05%  |
| Master Limited Partnerships (MLPs) | Alerian MLP Index  | 3.00%                 | 6.00%  |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (5)                             | 6.00%                 | 6.25%  |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index         | 18.00%                | 4.10%  |

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in net pension asset for the valuation year ended December 31, 2017 are as follows:

| <u>Changes in Net Pension Liability / (Asset)</u> | <u>Total Pension Liability<br/>(a)</u> | <u>Fiduciary Net Position<br/>(b)</u> | <u>Net Pension Liability /<br/>(Asset) (a) - (b)</u> |
|---|--|---------------------------------------|--|
| Balances as of December 31, 2016                  | \$ 3,970,927                           | \$ 4,058,071                          | \$ (87,144)  |
| Changes For the Year:                             |  |                                       |  |
| Service Cost                                      | 294,923                                |                                       | 294,923  |
| Interest on Total Pension Liability (1)           | 342,882                                |                                       | 342,882  |
| Effect of Plan Changes (2)                        | 4,376                                  |                                       | 4,376  |
| Effect of Economic/Demographic<br>Gains or Losses | 44,864                                 |                                       | 44,864   |
| Effect of Assumptions Changes or<br>Inputs        | 512                                    |                                       | 512  |
| Refund of Contributions                           | (37,026)                               | (37,026)                              |  |
| Benefit Payments                                  | (29,757)                               | (29,757)                              |  |
| Administrative Expenses                           |  | (3,280)                               | 3,280  |
| Member Contributions                              |  | 170,719                               | (170,719)  |
| Net Investment Income                             |  | 596,801                               | (596,801)  |
| Employer Contributions                            |  | 173,616                               | (173,616)  |
| Other (3)   |  | 3,689                                 | (3,689)  |
| Balances as of December 31, 2017                  | <u>\$ 4,591,701</u>                    | <u>\$ 4,932,833</u>                   | <u>\$ (341,132)</u>                                  |

(1) Reflects the change in the liability due to the time value of money. TCDRS does not change fees or interest.

(2) Reflects plan changes adopted effective in 2018.

(3) Relates to allocation of system-wide items.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12. DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 8.10%, as well as what the District net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

|                                 | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u>  |
|---------------------------------|--------------------|----------------------------------|---------------------|
| Total Pension Liability         | \$ 5,331,902       | \$ 4,591,701                     | \$ 3,989,413        |
| Fiduciary Net Position          | 4,932,833          | 4,932,833                        | 4,932,833           |
| Net Pension Liability / (Asset) | <u>\$ 399,069</u>  | <u>\$ (341,132)</u>              | <u>\$ (943,420)</u> |

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2018, the District recognized pension benefit of \$72,441. As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

|  | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Deferred Outflows<br/>of Resources</u> |
|--|--|---|
| Differences Between Expected and Actual Experience   | \$ 9,577                                     | \$ 29,909                                 |
| Changes of Assumptions                               |  | 341                                       |
| Net Difference Between Projected and Actual Earnings | 34,140                                       |   |
| Contributions Made Subsequent to Measurement Date    |  | 139,461                                   |
|  | <u>\$ 43,717</u>                             | <u>\$ 169,711</u>                         |

The \$139,461 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. The remaining amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>September 30,</u> | <u>Pension Expense<br/>Amount</u> |
|-------------------------------------|-----------------------------------|
| 2018                                | \$ 41,837                         |
| 2019                                | 40,943                            |
| 2020                                | (44,835)                          |
| 2021                                | (51,412)                          |
|                                     | <u>\$ (13,467)</u>                |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**NOTE 14. LEASE AGREEMENTS**

The District entered into agreements with three outside parties to lease District property for cell tower use in fiscal years 2004, 2005 and 2009. During the year ended September 30, 2018, the District recognized rental income of \$78,823 related to these agreements. Future rental income per these agreements is as follows:

|            |    |                  |
|------------|----|------------------|
| 2019       | \$ | 80,575           |
| 2020       |    | 87,097           |
| 2021       |    | 88,782           |
| 2022       |    | 89,823           |
| 2023       |    | 90,896           |
| Thereafter |    | 1,675,873        |
| Total      | \$ | <u>2,113,046</u> |

The District owns a house that it rents to third parties through a management company. During the year ended September 30, 2018, the District recognized rental income of \$17,710 related to this rental property. Future rental income per the lease agreement effective as of September 30, 2018 is \$16,335 for fiscal year 2019.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 15. SUBSEQUENT EVENT**

On October 1, 2018, the District redeemed \$510,000 of its Series 2009 bonds prior to their scheduled maturity dates of June 1, 2023 and June 1, 2024. The early redemption resulted in an overall debt service savings to the District of \$120,402.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|   | Original<br>Budget   | Final<br>Budget      | Actual               | Variance<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| <b>REVENUES</b>                                 |                      |                      |                      |                                    |
| Program Revenue:                                |                      |                      |                      |                                    |
| Water and Wastewater Services                   | \$ 5,215,166         | \$ 5,215,166         | \$ 5,385,725         | \$ 170,559                         |
| Park and Recreation Center Fees                 | 1,475,646            | 1,519,904            | 1,673,060            | 153,156                            |
| Garbage Collection                              | 1,367,400            | 1,367,400            | 1,385,486            | 18,086                             |
| Inspection Fees                                 | 14,500               | 14,500               | 27,685               | 13,185                             |
| Tap and Other Connection Fees                   | 23,600               | 23,600               | 3,074                | (20,526)                           |
| Contributions                                   |                      |                      | 1,932                | 1,932                              |
| General Revenue:                                |                      |                      |                      |                                    |
| Property Taxes                                  | 5,812,840            | 5,812,840            | 5,903,594            | 90,754                             |
| Investment Earnings                             | 85,000               | 141,500              | 284,545              | 143,045                            |
| Rental Income                                   | 98,200               | 98,200               | 96,533               | (1,667)                            |
| Other   | 134,045              | 134,045              | 158,468              | 24,423                             |
| <b>TOTAL REVENUES</b>                           | <b>\$ 14,226,397</b> | <b>\$ 14,327,155</b> | <b>\$ 14,920,102</b> | <b>\$ 592,947</b>                  |
| <b>EXPENDITURES</b>                             |                      |                      |                      |                                    |
| Service Operations:                             |                      |                      |                      |                                    |
| Salary and Benefits                             | \$ 4,445,762         | \$ 4,446,412         | \$ 4,261,308         | \$ 185,104                         |
| Water and Wastewater Purchases                  | 1,599,633            | 1,599,633            | 1,348,904            | 250,729                            |
| Garbage Fees                                    | 1,238,306            | 1,238,306            | 1,237,786            | 520                                |
| Repairs and Maintenance                         | 802,464              | 829,464              | 876,860              | (47,396)                           |
| Administrative                                  | 1,012,063            | 1,067,713            | 1,021,688            | 46,025                             |
| Utilities                                       | 664,044              | 649,644              | 624,474              | 25,170                             |
| Contracted Services                             | 321,175              | 371,133              | 190,618              | 180,515                            |
| Legal Fees                                      | 100,000              | 95,800               | 112,648              | (16,848)                           |
| Insurance                                       | 70,250               | 70,250               | 79,303               | (9,053)                            |
| Engineering Fees                                | 52,500               | 76,900               | 106,155              | (29,255)                           |
| Audit Fees                                      | 39,500               | 39,500               | 39,000               | 500                                |
| Financial Advisor                               | 20,000               | 20,000               | 20,000               |                                    |
| Director's Fees                                 | 36,000               | 36,000               | 25,650               | 10,350                             |
| Security Fees                                   | 10,650               | 10,650               | 8,224                | 2,426                              |
| Other *   | 157,992              | 194,292              | 198,761              | (4,469)                            |
| Capital Outlay                                  | 2,199,000            | 2,792,101            | 2,300,762            | 491,339                            |
| Debt Service:                                   |                      |                      |                      |                                    |
| Principal Payments                              | 405,000              | 405,000              | 405,000              |                                    |
| Interest and Fiscal Charges                     | 163,323              | 163,323              | 163,323              |                                    |
| <b>TOTAL EXPENDITURES</b>                       | <b>\$ 13,337,662</b> | <b>\$ 14,106,121</b> | <b>\$ 13,020,464</b> | <b>\$ 1,085,657</b>                |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ 888,735</b>    | <b>\$ 221,034</b>    | <b>\$ 1,899,638</b>  | <b>\$ 1,678,604</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                      |                      |                      |                                    |
| Transfers Out                                   | \$ (480,400)         | \$ (33,400)          | \$                   | \$ 33,400                          |
| Sale of Capital Assets                          |                      |                      | 32,303               | 32,303                             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>     | <b>\$ (480,400)</b>  | <b>\$ (33,400)</b>   | <b>\$ 32,303</b>     | <b>\$ 65,703</b>                   |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b>\$ 408,335</b>    | <b>\$ 187,634</b>    | <b>\$ 1,931,941</b>  | <b>\$ 1,744,307</b>                |
| <b>FUND BALANCE - OCTOBER 1, 2017</b>           | <b>16,372,429</b>    | <b>16,372,429</b>    | <b>16,372,429</b>    |                                    |
| <b>FUND BALANCE - SEPTEMBER 30, 2018</b>        | <b>\$ 16,780,764</b> | <b>\$ 16,560,063</b> | <b>\$ 18,304,370</b> | <b>\$ 1,744,307</b>                |

\* This includes expenses related to community activities, recruiting, cell/phone/cable, postage, and printing as well as other miscellaneous expenses.

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT**  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2018

|  | Year Ended<br>December 31,<br>2017* | Year Ended<br>December 31,<br>2016* | Year Ended<br>December 31,<br>2015* | Year Ended<br>December 31,<br>2014* |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Total Pension Liability</b>                             |                                     |                                     |                                     |                                     |
| Service Cost   | \$ 294,923                          | \$ 295,387                          | \$ 267,011                          | \$ 250,979                          |
| Interest on Total Pension Liability                        | 342,882                             | 291,308                             | 263,305                             | 230,728                             |
| Effect of Plan Changes                                     | 4,376                               | -                                   | (55,460)                            | -                                   |
| Effect of Assumption Changes or Inputs                     | 512                                 | -                                   | 30,086                              | -                                   |
| Effect on Economic/Demographic (Gains) or Losses           | 44,864                              | (28,730)                            | (120,517)                           | (26,206)                            |
| Benefit Payments/Refunds of Contributions                  | <u>(66,783)</u>                     | <u>(75,753)</u>                     | <u>(54,772)</u>                     | <u>(42,950)</u>                     |
| Net Change in Total Pension Asset                          | 620,774                             | 482,212                             | 329,653                             | 412,551                             |
| Total Pension Liability, Beginning                         | <u>3,970,927</u>                    | <u>3,488,715</u>                    | <u>3,159,062</u>                    | <u>2,746,511</u>                    |
| <b>Total Pension Liability, Ending (a)</b>                 | \$ 4,591,701                        | \$ 3,970,927                        | \$ 3,488,715                        | \$ 3,159,062                        |
| <b>Fiduciary Net Position</b>                              |                                     |                                     |                                     |                                     |
| Employer Contributions                                     | \$ 173,616                          | \$ 142,204                          | \$ 140,561                          | \$ 141,860                          |
| Member Contributions                                       | -                                   | 170,719                             | 138,711                             | 129,947                             |
| Investment Income Net of Investment Expenses               | 596,801                             | 264,683                             | (66,405)                            | 199,976                             |
| Benefit Payments/Refunds of Contributions                  | (66,783)                            | (75,753)                            | (54,773)                            | (42,950)                            |
| Administrative Expenses                                    | (3,280)                             | (2,878)                             | (2,516)                             | (2,463)                             |
| Other  | <u>3,689</u>                        | <u>24,012</u>                       | <u>2,488</u>                        | <u>446</u>                          |
| Net Change in Fiduciary Net Position                       | 874,762                             | 499,615                             | 158,066                             | 426,816                             |
| Fiduciary Net Position, Beginning                          | <u>4,058,071</u>                    | <u>3,558,456</u>                    | <u>3,400,390</u>                    | <u>2,973,574</u>                    |
| <b>Fiduciary Net Position, Ending (b)</b>                  | \$ 4,932,833                        | \$ 4,058,071                        | \$ 3,558,456                        | \$ 3,400,390                        |
| <b>Net Pension Liability / (Asset), Ending = (a) - (b)</b> | \$ (341,132)                        | \$ (87,144)                         | \$ (69,741)                         | \$ (241,328)                        |
| Fiduciary Net Position as a % of Total Pension Liability   | 107.43 %                            | 102.19 %                            | 102.00 %                            | 107.64                              |
| <b>Pensionable Covered Payroll</b>                         | \$ 2,845,317                        | \$ 2,450,776                        | \$ 2,311,858                        | \$ 2,165,801                        |
| Net Pension Liability as a % of Covered Payroll            | (11.99) %                           | (3.56) %                            | (3.02) %                            | (11.14)                             |

\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT**  
Schedule of District Contributions  
September 30, 2018

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| Year Ending<br>December 31, | Actuarially<br>Determined<br>Contribution | Actual<br>Employer<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Pensionable<br>Covered<br>Payroll* | Actual<br>Contribution as<br>a % of Covered<br>Payroll |
|-----------------------------|---|------------------------------------|--|------------------------------------|--|
| 2008                        | \$ 82,817                                 | \$ 82,817                          | \$ -                                   | \$ 1,934,970                       | 4.3%   |
| 2009                        | 107,294                                   | 107,294                            | -                                      | 2,099,696                          | 5.1%   |
| 2010                        | 131,463                                   | 131,463                            | -                                      | 2,054,117                          | 6.4%   |
| 2011                        | 126,935                                   | 126,935                            | -                                      | 1,908,800                          | 6.6%   |
| 2012                        | 133,973                                   | 133,973                            | -                                      | 2,023,768                          | 6.6%   |
| 2013                        | 134,120                                   | 134,120                            | -                                      | 2,089,097                          | 6.4%   |
| 2014                        | 141,860                                   | 141,860                            | -                                      | 2,165,801                          | 6.6%   |
| 2015                        | 140,561                                   | 140,561                            | -                                      | 2,311,858                          | 6.1%   |
| 2016                        | 141,900                                   | 142,204                            | (304)                                  | 2,450,776                          | 5.8%   |
| 2017                        | 168,727                                   | 173,616                            | (4,889)                                | 2,845,317                          | 6.1%   |

\* Payroll is calculated based on contributions as reported to TCDRS.

**SUPPLEMENTARY INFORMATION  
REQUIRED BY THE WATER  
DISTRICT FINANCIAL  
MANAGEMENT GUIDE**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective March 1, 2018.

|                    | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate per 1,000 Gallons over Minimum Use</u> | <u>Usage Levels</u>      |
|--------------------|-----------------------|----------------------|----------------------|--|--------------------------|
| <b>WATER:</b>      |                       |                      |                      |  |                          |
| In-District        | \$ 14.50              |                      | Y                    | \$ 2.17 winter<br>\$ 2.85 summer               | Oct to May<br>Jun to Sep |
| Out-of-District    | \$ 37.42              |                      | Y                    | \$ 2.17 winter<br>\$ 2.85 summer               | Oct to May<br>Jun to Sep |
| <b>WASTEWATER:</b> |                       |                      |                      |  |                          |
| In-District        | \$ 6.00               |                      | N                    | \$ 2.70  | Per 1,000                |
| Out-of-District    | \$ 12.00              |                      | N                    | \$ 10.80                                       | Per 1,000                |
| <b>SURCHARGE:</b>  | N/A                   | N/A                  | N/A                  | N/A  | N/A                      |

District employs winter averaging for wastewater usage? X  
Yes              
No

Total charges per 10,000 gallons usage: In-District: Water: \$36.20-Winter, \$43.00-Summer; Wastewater: \$33.00  
Out-of-District: Water: \$59.12-Winter, \$65.92-Summer; Wastewater: \$120.00

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| <u>Meter Size</u>            | <u>Total<br/>Connections</u> | <u>Active<br/>Connections</u> | <u>ESFC<br/>Factor</u> | <u>Active<br/>ESFCs</u> |
|------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| 3/4"                         | <u>5,560</u>                 | <u>5,560</u>                  | x 1.0                  | <u>5,560</u>            |
| 1"                           | <u>37</u>                    | <u>37</u>                     | x 2.5                  | <u>93</u>               |
| 1½"                          | <u>37</u>                    | <u>37</u>                     | x 5.0                  | <u>185</u>              |
| 2"                           | <u>37</u>                    | <u>37</u>                     | x 8.0                  | <u>296</u>              |
| 3"                           | <u>4</u>                     | <u>4</u>                      | x 15.0                 | <u>60</u>               |
| 4"                           | <u>          </u>            | <u>          </u>             | x 25.0                 | <u>          </u>       |
| 6"                           | <u>1</u>                     | <u>1</u>                      | x 50.0                 | <u>50</u>               |
| 8"                           | <u>7</u>                     | <u>7</u>                      | x 80.0                 | <u>560</u>              |
| 10"                          | <u>          </u>            | <u>          </u>             | x 115.0                | <u>-</u>                |
| Total Water Connections      | <u>5,683</u>                 | <u>5,683</u>                  |                        | <u>6,804</u>            |
| Total Wastewater Connections | <u>5,592</u>                 | <u>5,592</u>                  | x 1.0                  | <u>5,592</u>            |

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into the System: 983,859,000      Water Accountability Ratio: 92%  
(Gallons billed /Gallons pumped)

Gallons billed to customers: 903,163,300

The water accountability ratio does not include fire hydrant flushing, water used in fire-fighting, loss due to water leaks identified, or other un-metered loss to the system.

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees?                      Yes       No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes                       No

County in which District is located:

Williamson County

Is the District located within a city?

Entirely                       Partly                       Not at all

Cities in which District is located:

N/A

Is the District located within a city's extraterritorial 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

See accompanying independent auditor's report.





**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
SEPTEMBER 30, 2018**

| Funds                               | Identification or<br>Certificate Number | Interest<br>Rate | Maturity<br>Date | Balance at<br>End of Year | Accrued<br>Interest<br>Receivable at<br>End of Year |
|-------------------------------------|---|------------------|------------------|---------------------------|---|
| <b><u>GENERAL FUND</u></b>          |   |                  |                  |                           |   |
| LOGIC                               | XXXX1002                                | Varies           | Daily            | \$ 169,506                | \$  |
| LOGIC                               | XXXX1003                                | Varies           | Daily            | 8,910                     |   |
| TexPool                             | XXXX0008                                | Varies           | Daily            | 1,132,962                 |   |
| TexPool                             | XXXX0001                                | Varies           | Daily            | 30,588                    |   |
| Certificate of Deposit              | XXXX7047                                | 2.210%           | 04/12/19         | 2,086,507                 |   |
| Money Market Fund                   | XXXX1901                                | Varies           | Daily            | 666,329                   |   |
| US Agencies                         | XXXX02T6                                | 2.375%           | 09/13/19         | 2,003,980                 |   |
| US Agencies                         | XXXX0JR2                                | 2.375%           | 12/13/19         | 1,007,020                 |   |
| US Agencies                         | XXXX8Y72                                | 0.875%           | 08/05/19         | 287,526                   |   |
| US Agencies                         | XXXXDBE1                                | 1.750%           | 01/02/19         | 2,497,850                 |   |
| US Agencies                         | XXXXP5A3                                | 1.720%           | 10/03/18         | 1,004,170                 |   |
| US Agencies                         | XXXX0RZ6                                | 1.430%           | 04/18/19         | 996,320                   |   |
| US Agencies                         | XXXX9NL7                                | 1.180%           | 05/24/19         | 990,100                   |   |
| Treasury Note                       | XXXX82B5                                | 0.750%           | 08/15/19         | 1,966,875                 |   |
| Treasury Note                       | XXXX8P95                                | 1.000%           | 03/15/19         | 494,727                   |   |
| Treasury Note                       | XXXX8WW6                                | 1.625%           | 07/31/19         | 1,983,828                 |   |
| <b>TOTAL GENERAL FUND</b>           |   |                  |                  | <u>\$ 17,327,198</u>      | <u>\$ - 0 -</u>                                     |
| <b><u>DEBT SERVICE FUND</u></b>     |   |                  |                  |                           |   |
| LOGIC                               | XXXX1001                                | Varies           | Daily            | \$ 130,557                | \$  |
| LOGIC                               | XXXX1013                                | Varies           | Daily            | 44,250                    |   |
| TexPool                             | XXXX0004                                | Varies           | Daily            | 270,958                   |   |
| US Agencies                         | XXXX0G23                                | 1.300%           | 04/29/19         | 1,686,564                 |   |
| US Agencies                         | XXXX0R39                                | 1.000%           | 10/24/19         | 784,936                   |   |
| Treasury Note                       | XXXX8M64                                | 1.250%           | 11/15/18         | 1,741,729                 |   |
| <b>TOTAL DEBT SERVICE FUND</b>      |   |                  |                  | <u>\$ 4,658,994</u>       | <u>\$ - 0 -</u>                                     |
| <b><u>CAPITAL PROJECTS FUND</u></b> |   |                  |                  |                           |   |
| LOGIC                               | XXXX1009                                | Varies           | Daily            | \$ 31,706                 | \$  |
| TexPool                             | XXXX0007                                | Varies           | Daily            | 23,864                    |   |
| US Agencies                         | XXXX8Y72                                | 0.875%           | 08/05/19         | 672,079                   |   |
| Treasury Note                       | XXXX8WS5                                | 1.625%           | 06/30/19         | 996,133                   |   |
| Treasury Note                       | XXXX8WW6                                | 1.625%           | 07/31/19         | 993,984                   |   |
| <b>TOTAL CAPITAL PROJECTS FUND</b>  |   |                  |                  | <u>\$ 2,717,766</u>       | <u>\$ - 0 -</u>                                     |
| <b>TOTAL - ALL FUNDS</b>            |   |                  |                  | <u>\$ 24,703,958</u>      | <u>\$ - 0 -</u>                                     |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                             | Maintenance Taxes |                  | Debt Service Taxes |                  |
|-----------------------------|-------------------|------------------|--------------------|------------------|
| TAXES RECEIVABLE -          |                   |                  |                    |                  |
| OCTOBER 1, 2017             | \$                | 22,933           | \$                 | 20,164           |
| Adjustments to Beginning    |                   |                  |                    |                  |
| Balance                     |                   | <u>(1,919)</u>   | \$                 | <u>21,014</u>    |
|                             |                   |                  | <u>1,699</u>       | \$               |
|                             |                   |                  |                    | <u>21,863</u>    |
| Original 2017 Tax Levy      | \$                | 5,904,939        | \$                 | 4,010,873        |
| Adjustment to 2017 Tax Levy |                   | <u>1,108</u>     | <u>5,906,047</u>   | <u>(280)</u>     |
|                             |                   |                  |                    | <u>4,010,593</u> |
| TOTAL TO BE                 |                   |                  |                    |                  |
| ACCOUNTED FOR               |                   | \$               | 5,927,061          | \$               |
|                             |                   |                  |                    | 4,032,456        |
| TAX COLLECTIONS:            |                   |                  |                    |                  |
| Prior Years                 | \$                | 527              | \$                 | 1,939            |
| Current Year                |                   | <u>5,894,380</u> | <u>5,894,907</u>   | <u>4,003,082</u> |
|                             |                   |                  |                    | <u>4,005,021</u> |
| TAXES RECEIVABLE -          |                   |                  |                    |                  |
| SEPTEMBER 30, 2018          |                   | <u>\$</u>        | <u>32,154</u>      | <u>\$</u>        |
|                             |                   |                  |                    | <u>27,435</u>    |
| TAXES RECEIVABLE BY         |                   |                  |                    |                  |
| YEAR:                       |                   |                  |                    |                  |
| 2017                        | \$                | 11,667           | \$                 | 7,511            |
| 2016                        |                   | 2,988            |                    | 6,075            |
| 2015                        |                   | 2,646            |                    | 3,900            |
| 2014                        |                   | 2,947            |                    | 3,203            |
| 2013                        |                   | 3,081            |                    | 3,081            |
| 2012                        |                   | 1,212            |                    | 1,212            |
| 2011                        |                   | 854              |                    | 1,282            |
| 2010 & Prior                |                   | <u>6,759</u>     |                    | <u>1,171</u>     |
| TOTAL                       | \$                | <u>32,154</u>    | \$                 | <u>27,435</u>    |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>PROPERTY VALUATIONS:</b>                                  |                     |                     |                     |                     |
| District-wide  | \$ 1,968,553,734    | \$ 1,795,727,604    | \$ 1,614,574,091    | \$ 1,492,797,990    |
| Defined Area   | \$ 452,999,890      | \$ 390,949,120      | \$ 321,159,259      | \$ 267,853,303      |
| <b>TAX RATES PER \$100<br/>VALUATION:</b>                    |                     |                     |                     |                     |
| Debt Service Tax Rate  | \$ 0.1600           | \$ 0.2950           | \$ 0.2800           | \$ 0.2500           |
| Maintenance Tax Rate   | <u>0.3000</u>       | <u>0.1700</u>       | <u>0.1900</u>       | <u>0.2300</u>       |
| District-wide  | \$ 0.4600           | \$ 0.4650           | \$ 0.4700           | \$ 0.4800           |
| Defined Area   | \$ 0.1900           | \$ 0.2250           | \$ 0.2700           | \$ 0.3500           |
| <b>ADJUSTED TAX LEVY</b>                                     | <u>\$ 9,916,640</u> | <u>\$ 9,259,726</u> | <u>\$ 8,448,244</u> | <u>\$ 7,930,625</u> |
| <b>PERCENTAGE OF TAXES<br/>COLLECTED TO TAXES<br/>LEVIED</b> | <u>99.81 %</u>      | <u>99.90 %</u>      | <u>99.92 %</u>      | <u>99.92 %</u>      |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | SERIES-2005                |                                       |                     | DEFINED AREA<br>SERIES-2009 |                                       |                   | REFUNDING<br>SERIES-2009   |                                       |                     |
|---|----------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|-------------------|----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total             | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 570,000                 | \$ 34,950                             | \$ 604,950          | \$ 75,000                   | \$ 8,137                              | \$ 83,137         | \$ 210,000                 | \$ 61,319                             | \$ 271,319          |
| 2020  | 595,000                    | 17,850                                | 612,850             | 80,000                      | 4,200                                 | 84,200            | 215,000                    | 51,869                                | 266,869             |
| 2021  |                            |                                       |                     |                             |                                       |                   | 230,000                    | 43,269                                | 273,269             |
| 2022  |                            |                                       |                     |                             |                                       |                   | 240,000                    | 33,781                                | 273,781             |
| 2023  |                            |                                       |                     |                             |                                       |                   | 245,000                    | 23,281                                | 268,281             |
| 2024  |                            |                                       |                     |                             |                                       |                   | 265,000                    | 12,256                                | 277,256             |
| 2025  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2026  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2027  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2028  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2029  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2030  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2031  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2032  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2033  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2034  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2035  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2036  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2037  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2038  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
| 2039  |                            |                                       |                     |                             |                                       |                   |                            |                                       |                     |
|   | <u>\$ 1,165,000</u>        | <u>\$ 52,800</u>                      | <u>\$ 1,217,800</u> | <u>\$ 155,000</u>           | <u>\$ 12,337</u>                      | <u>\$ 167,337</u> | <u>\$ 1,405,000</u>        | <u>\$ 225,775</u>                     | <u>\$ 1,630,775</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | REFUNDING<br>SERIES-2010   |                                       |                      | DEFINED AREA<br>SERIES-2011 |                                       |                     | REFUNDING<br>SERIES-2011   |                                       |                     |
|---|----------------------------|---------------------------------------|----------------------|-----------------------------|---------------------------------------|---------------------|----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total                | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 1,215,000               | \$ 346,928                            | \$ 1,561,928         | \$ 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  |                            |                                       |                      |                             |                                       |                     |                            |                                       |                     |
| 2039  |                            |                                       |                      |                             |                                       |                     |                            |                                       |                     |
|   | <u>\$ 8,825,000</u>        | <u>\$ 1,507,128</u>                   | <u>\$ 10,332,128</u> | <u>\$ 1,950,000</u>         | <u>\$ 897,688</u>                     | <u>\$ 2,847,688</u> | <u>\$ 2,045,000</u>        | <u>\$ 456,768</u>                     | <u>\$ 2,501,768</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | REFUNDING<br>SERIES-2012   |                                       |                     | REFUNDING<br>SERIES-2013   |                                       |                     | DEFINED AREA<br>SERIES-2013 |                                       |                     |
|---|----------------------------|---------------------------------------|---------------------|----------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1 | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               |
| 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             |
| 2039  |                            |                                       |                     |                            |                                       |                     |                             |                                       |                     |
|   | <u>\$ 7,475,000</u>        | <u>\$ 1,516,500</u>                   | <u>\$ 8,991,500</u> | <u>\$ 6,010,000</u>        | <u>\$ 1,676,075</u>                   | <u>\$ 7,686,075</u> | <u>\$ 3,070,000</u>         | <u>\$ 1,753,930</u>                   | <u>\$ 4,823,930</u> |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

| Due During Fiscal<br>Years Ending<br>September 30 | DEFINED AREA REFUNDING<br>SERIES-2015 |                                       |                     | DEFINED AREA<br>SERIES-2015 |                                       |                     | UTILITY SYSTEM REVENUE NOTE<br>SERIES-2016 |                                       |                     |
|---|---------------------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|--|---------------------------------------|---------------------|
|   | Principal<br>Due<br>June 1            | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1  | Interest Due<br>December 1/<br>June 1 | Total               | Principal<br>Due<br>June 1                 | Interest Due<br>December 1/<br>June 1 | Total               |
| 2019  | \$ 120,000                            | \$ 109,950                            | \$ 229,950          | \$ 100,000                  | \$ 106,556                            | \$ 206,556          | \$ 420,000                                 | \$ 152,672                            | \$ 572,672          |
| 2020  | 125,000                               | 107,550                               | 232,550             | 105,000                     | 104,556                               | 209,556             | 430,000                                    | 141,626                               | 571,626             |
| 2021  | 210,000                               | 103,800                               | 313,800             | 110,000                     | 102,456                               | 212,456             | 440,000                                    | 130,317                               | 570,317             |
| 2022  | 220,000                               | 97,500                                | 317,500             | 115,000                     | 99,156                                | 214,156             | 450,000                                    | 118,745                               | 568,745             |
| 2023  | 225,000                               | 90,900                                | 315,900             | 120,000                     | 95,706                                | 215,706             | 465,000                                    | 106,910                               | 571,910             |
| 2024  | 230,000                               | 84,150                                | 314,150             | 125,000                     | 92,106                                | 217,106             | 475,000                                    | 94,680                                | 569,680             |
| 2025  | 240,000                               | 77,250                                | 317,250             | 130,000                     | 88,356                                | 218,356             | 490,000                                    | 82,188                                | 572,188             |
| 2026  | 245,000                               | 70,050                                | 315,050             | 135,000                     | 84,456                                | 219,456             | 500,000                                    | 69,301                                | 569,301             |
| 2027  | 260,000                               | 62,394                                | 322,394             | 140,000                     | 80,406                                | 220,406             | 515,000                                    | 56,151                                | 571,151             |
| 2028  | 270,000                               | 53,944                                | 323,944             | 145,000                     | 76,206                                | 221,206             | 525,000                                    | 42,606                                | 567,606             |
| 2029  | 280,000                               | 44,494                                | 324,494             | 150,000                     | 71,494                                | 221,494             | 540,000                                    | 28,799                                | 568,799             |
| 2030  | 295,000                               | 34,694                                | 329,694             | 155,000                     | 66,619                                | 221,619             | 555,000                                    | 14,592                                | 569,592             |
| 2031  | 300,000                               | 24,000                                | 324,000             | 160,000                     | 61,581                                | 221,581             |  |                                       |                     |
| 2032  | 165,000                               | 12,750                                | 177,750             | 170,000                     | 56,381                                | 226,381             |  |                                       |                     |
| 2033  | 175,000                               | 6,562                                 | 181,562             | 175,000                     | 50,431                                | 225,431             |  |                                       |                     |
| 2034  |                                       |                                       |                     | 185,000                     | 44,306                                | 229,306             |  |                                       |                     |
| 2035  |                                       |                                       |                     | 190,000                     | 37,831                                | 227,831             |  |                                       |                     |
| 2036  |                                       |                                       |                     | 200,000                     | 31,181                                | 231,181             |  |                                       |                     |
| 2037  |                                       |                                       |                     | 205,000                     | 23,931                                | 228,931             |  |                                       |                     |
| 2038  |                                       |                                       |                     | 215,000                     | 16,500                                | 231,500             |  |                                       |                     |
| 2039  |                                       |                                       |                     | 225,000                     | 8,442                                 | 233,442             |  |                                       |                     |
|   | <u>\$ 3,360,000</u>                   | <u>\$ 979,988</u>                     | <u>\$ 4,339,988</u> | <u>\$ 3,255,000</u>         | <u>\$ 1,398,657</u>                   | <u>\$ 4,653,657</u> | <u>\$ 5,805,000</u>                        | <u>\$ 1,038,587</u>                   | <u>\$ 6,843,587</u> |

See accompanying independent auditor's report.



**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

**ANNUAL REQUIREMENTS  
FOR ALL SERIES**

| Due During Fiscal<br>Years Ending<br>September 30 | Total<br>Principal Due | Total<br>Interest Due | Total<br>Principal and<br>Interest Due |
|---|------------------------|-----------------------|--|
| 2019  | \$ 3,115,000           | \$ 1,547,160          | \$ 4,662,160                           |
| 2020  | 3,240,000              | 1,444,704             | 4,684,704                              |
| 2021  | 3,360,000              | 1,331,525             | 4,691,525                              |
| 2022  | 3,490,000              | 1,214,161             | 4,704,161                              |
| 2023  | 3,620,000              | 1,091,305             | 4,711,305                              |
| 2024  | 3,805,000              | 963,245               | 4,768,245                              |
| 2025  | 3,925,000              | 842,500               | 4,767,500                              |
| 2026  | 4,060,000              | 719,776               | 4,779,776                              |
| 2027  | 4,280,000              | 574,490               | 4,854,490                              |
| 2028  | 4,430,000              | 432,928               | 4,862,928                              |
| 2029  | 1,240,000              | 285,102               | 1,525,102                              |
| 2030  | 1,290,000              | 243,470               | 1,533,470                              |
| 2031  | 760,000                | 199,372               | 959,372                                |
| 2032  | 800,000                | 168,421               | 968,421                                |
| 2033  | 835,000                | 133,383               | 968,383                                |
| 2034  | 375,000                | 96,806                | 471,806                                |
| 2035  | 390,000                | 80,831                | 470,831                                |
| 2036  | 410,000                | 64,181                | 474,181                                |
| 2037  | 425,000                | 46,431                | 471,431                                |
| 2038  | 445,000                | 28,000                | 473,000                                |
| 2039  | 225,000                | 8,442                 | 233,442                                |
|   | <u>\$ 44,520,000</u>   | <u>\$ 11,516,233</u>  | <u>\$ 56,036,233</u>                   |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

|   | <u>Unlimited Tax Series<br/>2005</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2009</u> | <u>Refunding<br/>Series 2009</u> | <u>Refunding<br/>Series 2010</u> | <u>Defined Area<br/>Unlimited Tax Series<br/>2011</u> | <u>Refunding<br/>Series 2011</u> |
|---|--------------------------------------|---|----------------------------------|----------------------------------|---|----------------------------------|
| Interest Rate   | 3.00%                                | 5.25%   | 4.000% - 4.625%                  | 2.50% - 4.00%                    | 4.00% - 5.00%   | 3.84%                            |
| 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                        |
| Maturity Date   | 6/1/2020                             | 6/1/2020  | 6/1/2024                         | 6/1/2026                         | 6/1/2033  | 6/1/2028                         |
| Bonds Outstanding at<br>Beginning of Current<br>Fiscal Year | \$ 1,165,000                         | \$ 225,000  | \$ 1,600,000                     | \$ 9,995,000                     | \$ 2,030,000  | \$ 2,055,000                     |
| Bonds Sold During the<br>Current Fiscal Year                | -                                    | -   | -                                | -                                | -   | -                                |
| Retirements During the<br>Current Fiscal Year:              |                                      |   |                                  |                                  |   |                                  |
| Refunded  | -                                    | -   | -                                | -                                | -   | -                                |
| Principal   | -                                    | (70,000)  | (195,000)                        | (1,170,000)                      | (80,000)  | (10,000)                         |
| Bonds Outstanding at End<br>of Current Fiscal Year          | <u>\$ 1,165,000</u>                  | <u>\$ 155,000</u>                                     | <u>\$ 1,405,000</u>              | <u>\$ 8,825,000</u>              | <u>\$ 1,950,000</u>                                   | <u>\$ 2,045,000</u>              |
| Interest Paid During the<br>Current Fiscal Year             | <u>\$ 34,950</u>                     | <u>\$ 11,813</u>                                      | <u>\$ 70,094</u>                 | <u>\$ 387,875</u>                | <u>\$ 92,650</u>                                      | <u>\$ 78,912</u>                 |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

|   | Refunding<br>Series 2012 | Refunding<br>Series 2013 | Defined Area<br>Unlimited Tax Series<br>2013 | Defined Area<br>Refunding<br>Series 2015 | Defined Area<br>Unlimited Tax Series<br>2015 | Utility System Revenue<br>Note<br>Series 2016 |
|---|--------------------------|--------------------------|--|--|--|---|
| Interest Rate   | 3.00%                    | 2.00% - 3.50%            | 2.50% - 5.00%                                | 2.00% - 3.75%                            | 2.00% - 3.75%                                | 2.63%   |
| 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                                     |
| Maturity Date   | 6/1/2028                 | 6/1/2028                 | 6/1/2038                                     | 6/1/2033                                 | 6/1/2039                                     | 6/1/2030                                      |
| Bonds Outstanding at<br>Beginning of Current<br>Fiscal Year             | \$ 8,230,000             | \$ 6,025,000             | \$ 3,165,000                                 | \$ 3,475,000                             | \$ 3,355,000                                 | \$ 6,210,000                                  |
| Bonds Sold During the<br>Current Fiscal Year                            | -                        | -                        | -  | -  | -  | -   |
| Retirements During the<br>Current Fiscal Year:<br>Refunded<br>Principal | (755,000)                | (15,000)                 | (95,000)                                     | (115,000)                                | (100,000)                                    | (405,000)                                     |
| Bonds Outstanding at End<br>of Current Fiscal Year                      | <u>\$ 7,475,000</u>      | <u>\$ 6,010,000</u>      | <u>\$ 3,070,000</u>                          | <u>\$ 3,360,000</u>                      | <u>\$ 3,255,000</u>                          | <u>\$ 5,805,000</u>                           |
| Interest Paid During the<br>Current Fiscal Year                         | <u>\$ 246,900</u>        | <u>\$ 198,375</u>        | <u>\$ 138,920</u>                            | <u>\$ 112,250</u>                        | <u>\$ 108,556</u>                            | <u>\$ 163,323</u>                             |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2018**

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|  | <u>Grand<br/>Total</u>                        |  |                        |
|--|---|--|------------------------|
| Bonds and Note Outstanding at Beginning of Current Fiscal Year                                   | \$ 47,530,000                                 |  |                        |
| Bond/Note Sold During the Current Fiscal Year  | -   |  |                        |
| Retirements During the Current Fiscal Year:  |   |  |                        |
| Refunded   | -   |  |                        |
| Principal  | <u>(3,010,000)</u>                            |  |                        |
| Bonds and Note Outstanding at End of Current Fiscal Year   | <u>\$ 44,520,000</u>                          |  |                        |
| Interest Paid During the Current Fiscal Year   | <u>\$ 1,644,618</u>                           |  |                        |
| Paying Agent:  | Series 2005, 2009, 2010, 2012, 2013, and 2015 | Wells Fargo Bank<br>Minneapolis,<br>Minnesota 55479                |                        |
|  | Series 2011                                   | BB&T Governmental<br>Finance<br>Charlotte, North<br>Carolina 28217 |                        |
| Bond Authority:  | <u>District Tax Bonds*</u>                    | <u>Defined Area<br/>Tax Bonds</u>                                  | <u>Refunding Bonds</u> |
| Amount Authorized by Voters  | \$ 74,100,000                                 | \$ 24,500,000  | \$ 77,469,998          |
| Amount Issued  | <u>72,000,000</u>                             | <u>13,785,000</u>  | <u>77,469,998</u>      |
| Remaining to be Issued   | <u>\$ 2,100,000</u>                           | <u>\$ 10,715,000</u>   | <u>\$ - 0 -</u>        |
| Debt Service Fund cash, cash with paying agent and investment balances as of September 30, 2018: |   |  | <u>\$ 5,186,440</u>    |
| Average annual debt service payment (principal and interest) for remaining term of all debt:     |   |  | <u>\$ 2,668,392</u>    |

See accompanying independent auditor's report.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**

|  | Amounts              |                      |                      |                      |                      | Percentage of Total Revenue |                |                |                |                |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------------|----------------|----------------|----------------|----------------|
|  | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 | 2018                        | 2017           | 2016           | 2015           | 2014           |
| <b>GENERAL FUND</b>                              |                      |                      |                      |                      |                      |                             |                |                |                |                |
| <b>REVENUES</b>                                  |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Water and Wastewater Service                     | \$ 5,385,725         | \$ 5,215,431         | \$ 5,226,780         | \$ 5,082,059         | \$ 5,077,406         | 36.1 %                      | 37.7 %         | 40.1 %         | 42.4 %         | 45.2 %         |
| Garbage Collection                               | 1,385,486            | 1,369,168            | 1,345,290            | 1,186,768            | 1,155,136            | 9.3                         | 9.9            | 10.3           | 9.9            | 10.3           |
| Inspection Fees                                  | 27,685               | 60,520               | 77,282               | 77,689               | 120,202              | 0.2                         | 0.4            | 0.6            | 0.6            | 1.1            |
| Tap and Other Connection Fees                    | 3,074                | 47,079               | 131,136              | 214,462              | 175,272              | 0.2                         | 0.3            | 1.0            | 1.8            | 1.6            |
| Park and Recreation Center Fees                  | 1,673,060            | 1,546,489            | 1,506,143            | 1,499,289            | 1,222,387            | 11.2                        | 11.2           | 11.5           | 12.5           | 10.9           |
| Property Taxes, Including Penalties and Interest | 5,903,594            | 5,281,267            | 4,523,775            | 3,653,155            | 3,203,128            | 39.6                        | 38.2           | 34.7           | 30.5           | 28.6           |
| Investment Earnings                              | 284,545              | 97,894               | 64,748               | 38,318               | 26,043               | 1.9                         | 0.7            | 0.5            | 0.3            | 0.2            |
| Other  | 256,933              | 219,957              | 153,096              | 233,971              | 231,349              | 1.7                         | 1.6            | 1.2            | 2.0            | 2.1            |
| Contributed Capital Assets                       |                      | 1,710                | 19,275               |                      |                      |                             |                | 0.1            |                |                |
| <b>TOTAL REVENUES</b>                            | <b>\$ 14,920,102</b> | <b>\$ 13,839,515</b> | <b>\$ 13,047,525</b> | <b>\$ 11,985,711</b> | <b>\$ 11,210,923</b> | <b>100.0 %</b>              | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> |
| <b>EXPENDITURES</b>                              |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Current:   |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Personnel (Including Benefits)                   | \$ 4,261,308         | \$ 3,908,287         | \$ 3,612,231         | \$ 3,281,080         | \$ 3,088,208         | 28.6 %                      | 28.1 %         | 27.7 %         | 27.3 %         | 27.4 %         |
| Purchased Services for Resale                    | 2,586,690            | 2,450,527            | 2,811,709            | 2,479,761            | 2,496,818            | 17.3                        | 17.7           | 21.5           | 20.7           | 22.3           |
| Administrative                                   | 1,047,338            | 971,001              | 887,623              | 984,333              | 1,173,831            | 7.0                         | 7.0            | 6.8            | 8.2            | 10.5           |
| Repairs and Maintenance                          | 876,860              | 1,122,722            | 989,729              | 907,746              | 656,193              | 5.9                         | 8.1            | 7.6            | 7.6            | 5.9            |
| Utilities  | 624,474              | 536,614              | 551,664              | 571,664              | 589,144              | 4.2                         | 3.9            | 4.2            | 4.8            | 5.3            |
| Professional Services                            | 564,091              | 561,744              | 497,795              | 376,133              | 452,731              | 3.8                         | 4.1            | 3.8            | 3.1            | 4.0            |
| Contracted Services                              | 190,618              | 378,744              | 233,267              | 366,192              | 383,313              | 1.3                         | 2.7            | 1.8            | 3.1            | 3.4            |
| Capital Outlay                                   | 2,300,762            | 1,865,489            | 3,025,806            | 2,466,902            | 1,457,914            | 15.4                        | 13.5           | 23.2           | 20.6           | 13.0           |
| Principal Payments                               | 405,000              | 395,000              | 335,000              | 374,934              | 85,731               | 2.7                         | 2.9            | 2.6            | 3.1            | 0.8            |
| Interest and Fiscal Charges                      | 163,323              | 173,711              | 69,460               | 25,943               | 25,080               | 1.1                         | 1.3            | 0.5            | 0.2            | 0.2            |
| <b>TOTAL EXPENDITURES</b>                        | <b>\$ 13,020,464</b> | <b>\$ 12,363,839</b> | <b>\$ 13,014,284</b> | <b>\$ 11,834,688</b> | <b>\$ 10,408,963</b> | <b>87.3 %</b>               | <b>89.3 %</b>  | <b>99.7 %</b>  | <b>98.7 %</b>  | <b>92.8 %</b>  |
| <b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> |                      |                      |                      |                      |                      |                             |                |                |                |                |
|  | \$ 1,899,638         | \$ 1,475,676         | \$ 33,241            | \$ 151,023           | \$ 801,960           | 12.7 %                      | 10.7 %         | 0.3 %          | 1.3 %          | 7.2 %          |
| <b>OTHER FINANCING SOURCES</b>                   |                      |                      |                      |                      |                      |                             |                |                |                |                |
| Sale of Capital Assets                           | \$ 32,303            |                      |                      |                      |                      | 0.2 %                       | %              | %              | %              | %              |
| Transfers In                                     |                      |                      |                      | 180,400              | 49,998               |                             |                |                | 1.5            | 0.4            |
| <b>TOTAL OTHER FINANCING SOURCES</b>             | <b>\$ 32,303</b>     | <b>\$ - 0 -</b>      | <b>\$ - 0 -</b>      | <b>\$ 180,400</b>    | <b>\$ 49,998</b>     | <b>0.2 %</b>                | <b>%</b>       | <b>%</b>       | <b>1.5 %</b>   | <b>0.4 %</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>                | <b>\$ 1,931,941</b>  | <b>\$ 1,475,676</b>  | <b>\$ 33,241</b>     | <b>\$ 331,423</b>    | <b>\$ 851,958</b>    | <b>12.9 %</b>               | <b>10.7 %</b>  | <b>0.3 %</b>   | <b>2.8 %</b>   | <b>7.6 %</b>   |

See accompanying independent auditor's report.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**

|   | Amounts             |                     |                     |                       |                       | Percentage of Total Revenue |                |                |                 |                 |
|---|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------------|----------------|----------------|-----------------|-----------------|
|   | 2018                | 2017                | 2016                | 2015                  | 2014                  | 2018                        | 2017           | 2016           | 2015            | 2014            |
| <b>DEBT SERVICE FUND</b>                              |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| <b>REVENUES</b>                                       |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Property Taxes, Including Penalties and Interest      | \$ 4,008,201        | \$ 3,921,140        | \$ 3,938,204        | \$ 4,289,373          | \$ 3,935,544          | 98.2 %                      | 98.7 %         | 99.3 %         | 100.0 %         | 99.6 %          |
| Investment Earnings                                   | 72,603              | 50,324              | 29,032              |                       | 16,307                | 1.8                         | 1.3            | 0.7            |                 | 0.4             |
| <b>TOTAL REVENUES</b>                                 | <b>\$ 4,080,804</b> | <b>\$ 3,971,464</b> | <b>\$ 3,967,236</b> | <b>\$ 4,289,373</b>   | <b>\$ 3,951,851</b>   | <b>100.0 %</b>              | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b>  | <b>100.0 %</b>  |
| <b>EXPENDITURES</b>                                   |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Principal Payments                                    | \$ 2,605,000        | \$ 2,510,000        | \$ 2,615,000        | \$ 3,255,000          | \$ 3,130,000          | 63.8 %                      | 63.1 %         | 66.0 %         | 75.9 %          | 79.2 %          |
| Interest and Fiscal Charges                           | 1,481,295           | 1,563,843           | 1,648,320           | 1,727,219             | 1,798,849             | 36.3                        | 39.4           | 41.5           | 40.3            | 45.5            |
| Tax Appraisal and Collection                          | 64,019              | 63,732              | 62,624              | 61,548                | 56,691                | 1.6                         | 1.6            | 1.6            | 1.4             | 1.4             |
| Bond Issuance Costs                                   |                     | 6,575               | 9,453               | 291,471               | 6,325                 |                             | 0.2            | 0.2            | 6.8             | 0.2             |
| Other   | 6,630               | 31                  | 25                  | 12,261                | 44                    | 0.2                         |                |                | 0.3             |                 |
| <b>TOTAL EXPENDITURES</b>                             | <b>\$ 4,156,944</b> | <b>\$ 4,144,181</b> | <b>\$ 4,335,422</b> | <b>\$ 5,347,499</b>   | <b>\$ 4,991,909</b>   | <b>101.9 %</b>              | <b>104.3 %</b> | <b>109.3 %</b> | <b>124.7 %</b>  | <b>126.3 %</b>  |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b>  | <b>\$ (76,140)</b>  | <b>\$ (172,717)</b> | <b>\$ (368,186)</b> | <b>\$ (1,058,126)</b> | <b>\$ (1,040,058)</b> | <b>(1.9) %</b>              | <b>(4.3) %</b> | <b>(9.3) %</b> | <b>(24.7) %</b> | <b>(26.3) %</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                     |                     |                     |                       |                       |                             |                |                |                 |                 |
| Transfers In  | \$ 517,760          | \$                  | \$ 158,505          | \$ 209,500            | \$ 218,492            | 12.7 %                      | %              | 4.0 %          | 4.9 %           | 5.5 %           |
| Proceeds from the Sale of Capital Assets              |                     |                     |                     | 155,149               |                       |                             |                |                | 3.6             |                 |
| Proceeds of Refunding Bonds                           |                     |                     |                     | 3,625,000             |                       |                             |                |                | 84.5            |                 |
| Payment to Refunded Bond Escrow Agent                 |                     |                     |                     | (3,496,579)           |                       |                             |                |                | (81.5)          |                 |
| Discount on Bonds                                     |                     |                     |                     | (10,706)              |                       |                             |                |                | (0.2)           |                 |
| <b>TOTAL OTHER FINANCING SOURCES</b>                  | <b>\$ 517,760</b>   | <b>\$ -0-</b>       | <b>\$ 158,505</b>   | <b>\$ 482,364</b>     | <b>\$ 218,492</b>     | <b>12.7 %</b>               | <b>%</b>       | <b>4.0 %</b>   | <b>11.3 %</b>   | <b>5.5 %</b>    |
| <b>NET CHANGE IN FUND BALANCE</b>                     | <b>\$ 441,620</b>   | <b>\$ (172,717)</b> | <b>\$ (209,681)</b> | <b>\$ (575,762)</b>   | <b>\$ (821,566)</b>   | <b>10.8 %</b>               | <b>(4.3) %</b> | <b>(5.3) %</b> | <b>(13.4) %</b> | <b>(20.8) %</b> |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>      | <b>5,683</b>        | <b>5,673</b>        | <b>5,574</b>        | <b>5,699</b>          | <b>5,628</b>          |                             |                |                |                 |                 |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b> | <b>5,592</b>        | <b>5,615</b>        | <b>5,463</b>        | <b>5,490</b>          | <b>5,403</b>          |                             |                |                |                 |                 |

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

District Mailing Address - 16318 Great Oaks Drive  
Round Rock, Texas 78681

District Telephone Number - (512) 255-7871

| <b>Board Members</b> | Term of<br>Office<br>(Elected or<br>Appointed) | Fees of Office<br>for the<br>year ended<br>September 30,<br>2018 | Expense<br>Reimbursements<br>for the<br>year ended<br>September 30,<br>2018 | Title                                |
|----------------------|--|--|---|--------------------------------------|
| Shean Dalton         | 11/18<br>11/22<br>(Elected)                    | \$ 4,350   | \$ -  | President                            |
| Donna B. Parker      | 11/16<br>11/20<br>(Elected)                    | \$ 6,300   | \$ -  | Vice<br>President                    |
| Rebecca B. Tullos    | 11/18<br>11/22<br>(Elected)                    | \$ 7,200   | \$ -  | Treasurer                            |
| Kim Filiatrault      | 11/18<br>11/22<br>(Elected)                    | \$ 4,200   | \$ -  | Secretary                            |
| Michael Tucker       | 11/16<br>11/20<br>(Elected)                    | \$ 3,600   | \$ -  | Assistant<br>Secretary/<br>Treasurer |

**Notes:** No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): March 10, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

|  | <u>Date Hired</u> | <u>Fees for the<br/>year ended<br/>September 30,<br/>2018</u> | <u>Title</u>               |
|--|-------------------|---|----------------------------|
| <b>Consultants:</b>                      |                   |   |                            |
| McLean & Howard, LLP                     | 2017              | \$ 100,890  | Attorney                   |
| Weaver and Tidwell, LLP                  | 2016              | \$ 31,500   | Former<br>Auditor          |
| Robert W. Baird & Co.                    | 2015              | \$ -  | Financial<br>Advisor       |
| MRB Group                                | 2013              | \$ 142,750  | Engineer                   |
| Patterson & Associates                   | 2008              | \$ 20,000   | Investment<br>Advisor      |
| Williamson County Tax Assessor-Collector | 1981              | \$ 1,914  | Tax Assessor/<br>Collector |

See accompanying independent auditor's report.



**OTHER SUPPLEMENTARY  
INFORMATION**

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>District-Wide Area</u>             | <u>Tax Roll Year</u>  |                       |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
|                                       | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           |
| <u>Taxpayer</u>                       |                       |                       |                       |
| Landing at Round Rock Acquisition LLC | \$ 89,491,083         | -                     | -                     |
| CWS Brushy Creek LP                   | 51,781,360            | 49,490,177            | 41,210,127            |
| IVQ Round Rock LP                     | 11,756,288            | -                     | -                     |
| Highland 620 Land Investment Ltd.     | 9,130,857             | 11,745,923            | 16,094,761            |
| Barclay/Texas Holdings 6 LP           | 9,043,666             | 8,641,767             | 8,743,176             |
| H. E. Butt Inc.                       | 8,393,221             | 8,324,952             | 8,265,742             |
| Great American Storage Partners LLC   | 7,178,870             | 6,718,233             | 6,563,850             |
| Atmos Energy/Mid-Tex Distribution     | 7,064,379             | 5,990,806             | 4,090,544             |
| Homeowner                             | 6,897,002             | 5,790,375             | 4,773,439             |
| MGP, XXII LLC                         | 5,200,000             | 5,000,000             | 5,301,539             |
| Dedicated OConnor RR LP               | -                     | 79,659,585            | 85,000,000            |
| MS Round Rock LLC                     | -                     | 5,071,275             | -                     |
| Standard Pacific of Texas Inc.        | -                     | -                     | 10,058,617            |
| <b>Total</b>                          | <b>\$ 205,936,726</b> | <b>\$ 186,433,093</b> | <b>\$ 190,101,795</b> |
| <b>Percent of Assessed Valuation</b>  | <b>9.85%</b>          | <b>9.47%</b>          | <b>10.59%</b>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>Defined Area</u>                      | <u>Tax Roll Year</u> |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          |
| <u>Taxpayer</u>                          |                      |                      |                      |
| IVQ Round Rock LP                        | \$ 11,756,288        | -                    | -                    |
| Highland 620 Land Investment Ltd.        | 9,130,857            | 11,745,923           | 16,094,761           |
| Great Oaks Physicians Holding Company LP | 3,435,319            | 1,306,265            | -                    |
| First Star Bank SSB                      | 3,345,774            | 3,241,257            | 3,134,061            |
| LIDL US Operations LLC                   | 3,170,844            | -                    | -                    |
| Saiba Holdings LLC                       | 2,753,595            | 2,238,530            | -                    |
| TDE Investments LLC                      | 2,676,815            | -                    | -                    |
| Cuchara Investment Group Ltd.            | 2,520,055            | 2,396,399            | 599,507              |
| Hatch House Management Company LLC       | 2,303,542            | 2,126,001            | 2,030,088            |
| Homeowner                                | 785,185              | -                    | -                    |
| MS Round Rock LLC                        | -                    | 5,071,275            | -                    |
| CalAtlantic Homes of Texas Inc.          | -                    | 1,934,197            | 2,984,174            |
| Standard Pacific of Texas Inc.           | -                    | 1,647,214            | 10,058,617           |
| Homeowner                                | -                    | 738,306              | -                    |
| Homeowner                                | -                    | -                    | 621,443              |
| Homeowner                                | -                    | -                    | 602,274              |
| Homeowner                                | -                    | -                    | 582,792              |
| Homeowner                                | -                    | -                    | 558,624              |
| <b>Total</b>                             | <b>\$ 41,878,274</b> | <b>\$ 32,445,367</b> | <b>\$ 37,266,341</b> |
| <b>Percent of Assessed Valuation</b>     | <b>8.47%</b>         | <b>7.16%</b>         | <b>9.53%</b>         |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
ASSESSED VALUE BY CLASSIFICATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| District-Wide Area                    | Tax Roll Year           |               |                         |               |                         |               |
|---------------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
|                                       | 2018                    |               | 2017                    |               | 2016                    |               |
|                                       | Amount                  | %             | Amount                  | %             | Amount                  | %             |
| Single Family                         | \$ 1,800,055,570        | 86.1%         | \$ 1,713,290,464        | 86.9%         | \$ 1,551,841,937        | 86.4%         |
| Multi-Family                          | 150,685,331             | 7.2           | 137,124,452             | 7.0           | 132,630,229             | 7.4           |
| Vacant Platted Lots/Tracts            | 13,701,425              | 0.7           | 13,637,370              | 0.7           | 17,960,815              | 1.0           |
| Acreage (Land Only)                   | -                       | 0.0           | 10,723                  | 0.0           | 10,723                  | 0.0           |
| Farm and Ranch Improvement            | 10,723                  | 0.0           | -                       | 0.0           | -                       | 0.0           |
| Commerical                            | 118,215,190             | 5.7           | 102,106,646             | 5.2           | 94,794,886              | 5.3           |
| Real & Intangible Personal, Utilities | 10,527,800              | 0.5           | 9,337,219               | 0.5           | 9,338,706               | 0.5           |
| Tangible Personal Business            | 25,272,197              | 1.2           | 23,362,675              | 1.2           | 11,516,158              | 0.6           |
| Real Inventory                        | 405,000                 | 0.0           | 10,899,730              | 0.6           | 29,018,275              | 1.6           |
| Exempt                                | (28,730,499)            | (1.4)         | (41,215,545)            | (2.1)         | (51,384,125)            | (2.8)         |
| <b>Total</b>                          | <b>\$ 2,090,142,737</b> | <b>100.0%</b> | <b>\$ 1,968,553,734</b> | <b>100.0%</b> | <b>\$ 1,795,727,604</b> | <b>100.0%</b> |

**BRUSHY CREEK  
MUNICIPAL UTILITY DISTRICT  
ASSESSED VALUE BY CLASSIFICATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>Defined Area</u>                   | Tax Roll Year         |               |                       |               |                       |               |
|---------------------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|                                       | 2018                  |               | 2017                  |               | 2016                  |               |
|                                       | Amount                | %             | Amount                | %             | Amount                | %             |
| Type of Property                      |                       |               |                       |               |                       |               |
| Single Family                         | \$ 454,520,298        | 92.0%         | \$ 419,863,648        | 92.7%         | \$ 348,888,711        | 89.2%         |
| Vacant Platted Lots/Tracts            | 12,370,189            | 2.5           | 12,367,123            | 2.7           | 16,690,568            | 4.3           |
| Farm and Ranch Improvement            | 9,100                 | 0.0           | -                     | 0.0           | -                     | 0.0           |
| Acreage                               | -                     | 0.0           | 9,100                 | 0.0           | 9,100                 | 0.0           |
| Commerical                            | 28,791,388            | 5.8           | 13,412,862            | 3.0           | 5,164,149             | 1.3           |
| Real & Intangible Personal. Utilities | 386,986               | 0.1           | 383,288               | 0.1           | 261,185               | 0.1           |
| Tangible Personal Business            | 4,143,524             | 0.8           | 1,402,601             | 0.3           | 1,507,966             | 0.4           |
| Real Inventory                        | 405,000               | 0.1           | 9,507,256             | 2.1           | 27,326,800            | 7.0           |
| Exempt                                | (6,401,867)           | (1.3)         | (3,945,988)           | (0.9)         | (8,899,359)           | (2.3)         |
| Total                                 | <u>\$ 494,224,618</u> | <u>100.0%</u> | <u>\$ 452,999,890</u> | <u>100.0%</u> | <u>\$ 390,949,120</u> | <u>100.0%</u> |

APPENDIX B

Form of Bond Counsel Opinion



*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,605,000**

**AS BOND COUNSEL FOR THE 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 30, 2019, authorizing the issuance of the Bonds and the pricing certificate executed by 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 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.

600 Congress Ave.  
Suite 1800  
Austin, Texas 78701  
T 512.478.3805  
F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

Two Allen Center  
1200 Smith Street, Suite 1550  
Houston, Texas 77002  
T 713.980.0500  
F 713.980.0510

700 N. St. Mary's Street  
Suite 1525  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984

[www.mphlegal.com](http://www.mphlegal.com)



**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. 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 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 sufficiency report of Robert Thomas CPA, LLC, and on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, 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. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning 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.

**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,



**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 C. D. Polumbo 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.

| <u>Name</u>       | <u>Office</u>                 |
|-------------------|-------------------------------|
| Shean R. Dalton   | President                     |
| Donna B. Parker   | Vice President                |
| Kim Filiatrault   | Secretary                     |
| Rebecca B. Tullos | Treasurer                     |
| Michael Tucker    | Assistant Secretary/Treasurer |

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 since the issuance of the District's Unlimited Tax Refunding Bonds, Series 2013 on February 27, 2013 are set forth in Exhibit "B" attached hereto.

12. Other than the Bonds, the District has the below outstanding indebtedness payable from taxes:

|  |            |
|--|------------|
| Unlimited Tax Bonds, Series 2005           | \$ 595,000 |
| Unlimited Tax Refunding Bonds, Series 2010 | 1,270,000  |

|  |                     |
|--|---------------------|
| Unlimited Tax Refunding Bonds, Series 2011 | 1,870,000           |
| Unlimited Tax Refunding Bonds, Series 2012 | 7,435,000           |
| Unlimited Tax Refunding Bonds, Series 2013 | 5,995,000           |
| TOTAL                                      | <u>\$17,165,000</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 ad valorem tax roll approved by the District for 2018 is \$2,089,546,784 (which is net of all applicable exemptions).

19. The District lies within the extraterritorial jurisdiction of the City of Round Rock and the District is not a party to any consent agreement with the City.

20. The boundaries of the District have not been changed or been modified in any manner since the issuance of the District's Unlimited Tax Refunding Bonds, Series 2013 on February 27, 2013.

21. Lawfully available funds are hereby appropriated and confirmed to be available to pay interest and principal due on the Bond(s) coming due on December 1, 2019.

22. The Board has received all required disclosure filings under Section 2252.908 of the Texas Government Code in connection with the authorization and issuance of the Bonds and

has acknowledged receipt of such filings with the Texas Ethics Commission ("TEC") in accordance with TEC's rules.

23. The Board verifies that, pursuant to Section 2270.002 of the Texas Government Code, as amended, that all contracts with a company, including any parent company, wholly- or majority-owned subsidiary or affiliate of a company, within the transcript of proceedings for the Bonds, includes a written verification that such company neither boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Board understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the company counter party to the contract and exists to make a profit.

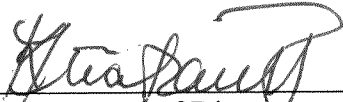
24. With respect to the contracts contained within the transcript of proceedings that are subject to Section 2252.152 of the Texas Government Code, as amended, the Board has verified, as of the date of execution, none of the companies counter party to those contracts, nor any parent company, wholly- or majority-owned subsidiaries or other affiliates of the same, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes companies and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Board understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the company counter party to the contract and exists to make a profit.


### **CLOSING MATTERS**

25. To our best knowledge and belief that (i) the representations and warranties of the District contained in the Bond 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) no litigation is pending or, to our knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, 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, or in any way contesting or affecting the validity of the Bonds, the Bond Order, or the Bond Purchase Agreement, or contesting the powers of the District or

contesting the authorization of the Bonds or the Bond Order, or contesting in any way the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriter may, in their sole discretion, accept certificates or opinions of counsel of the District that, in our opinion, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (iii) the Bond Order has not been amended, modified, supplemented, or repealed since the date of the Bond Purchase Agreement, except as agreed to by the Underwriter, and is in full force and effect; (iv) to the best of our knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (v) there has not been any material and adverse change in the financial condition of the District since September 30, 2018, the latest date as to which audited financial information is available.

SIGNED this the 31st day of July, 2019.

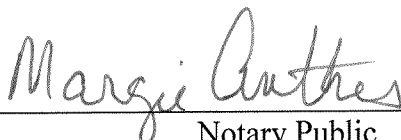
  
Secretary, Board of Directors

  
President, Board of Directors

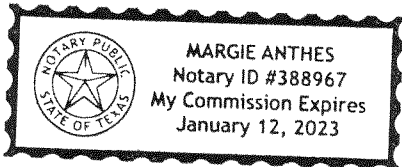
**NOTARY ACKNOWLEDGMENT**

**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 30th day of May 2019.

  
Notary Public

(Notary Seal)



Execution Page

## EXHIBIT A

### Definitions

|                            |  |
|----------------------------|--|
| <i>Bonds</i>               | Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019, dated July 1, 2019 in the aggregate principal amount of \$6,605,000.         |
| <i>Closing</i>             | July 31, 2019 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 30, 2019 and the Official Statement dated June 26, 2019 relating to the issuance of the Bonds.        |
| <i>Order</i>               | The order adopted by the Board of Directors of the District on May 30, 2019 authorizing the issuance of the Bonds.   |
| <i>Purchase Agreement</i>  | The Bond Purchase Agreement between the District and the Underwriter dated June 26, 2019.  |
| <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>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. |
| <i>Underwriter</i>         | Raymond James & Associates, Inc.   |

## EXHIBIT B

### BOARD OF DIRECTORS

#### **January 30, 2017 - Present**

Shean Dalton – Vacant  
Donna Parker – Vice President  
Rebecca Tullos – Treasurer  
Kim Filiatrault – Secretary  
Michael Tucker – Director

#### **December 12, 2016 – January 29, 2017**

Rebecca B. Tullos – Vacant  
Shean Dalton – Vice President  
Rebecca Tullos – Treasurer  
Kim Filiatrault – Secretary  
Donna B. Parker - Director

#### **February 19, 2015 – December 11, 2016**

Rebecca B. Tullos – President  
Russ Shermer – Vice President  
Shean Dalton – Treasurer  
Kim Filiatrault – Secretary  
Donna B. Parker - Director

#### **July 31, 2013 – February 18, 2015**

Rebecca B. Tullos – President  
Russ Shermer – Vice President  
Shean Dalton – Treasurer  
Jeffrey Goldstein – Secretary  
Donna B. Parker - Director

#### **October 11, 2012 – July 30, 2013**

Rebecca B. Tullos – President  
Russ Shermer – Vice President  
Shean Dalton – Treasurer  
Jeffrey Goldstein – Secretary  
Paul Tisch – Assistant Secretary/Assistant Treasurer



**July 3, 2012 - October 10, 2012**

Rebecca B. Tullos - President  
Jeffrey Goldstein – Vice President  
Shean Dalton - Treasurer  
Russ Shermer - Secretary  
Paul Tisch – Director

## FEDERAL TAX CERTIFICATE

### 1. In General.

1.1. The undersigned is an authorized representative 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 Unlimited Tax Refunding Bonds, Series 2019 (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 Subsection 4.3 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 currently refund the Issuer's Unlimited Tax Refunding Bonds, Series 2009 and Unlimited Tax Refunding Bonds, Series 2010 (the "Outstanding Bonds") and in part, to pay the related expenses of issuing the Bonds. The proceeds of the Bonds will be used to redeem the Outstanding Bonds within 90 days of the date hereof.

2.2. The proceeds of the Outstanding Bonds were used to currently refund bonds (the "Original Bonds") the proceeds of which were used to finance the purchasing, construction, acquisition, ownership, repair, improvement, extension of the Issuer's waterworks system, sanitary sewer system, storm sewer system, solid waste and disposal system (the "Outstanding Projects"). The Outstanding Projects remain in service and have not been sold or otherwise disposed of by the Issuer.

2.3. 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 the weighted average maturity of the Bonds.

2.4. 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 has been or will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Outstanding Projects. In no event will the proceeds of the Bonds, the Outstanding Bonds, the Outstanding Projects or facilities financed therewith be used for private business use in an amount greater than \$15 million. The Issuer does not expect to enter into long-term sales of output from the Outstanding Projects, except 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.

2.5. 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.

2.6. For purposes of Subsection 2.5 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. Yield.

3.1. The issue price of the Bonds included in the Form 8038-G is based on the Issue Price Certificate attached hereto. As shown in the Schedules of Financial Advisor attached hereto as Exhibit "E", the Issuer will determine the issue price of the Bonds based on the first price at which a substantial amount of each maturity of the Bonds are sold to the public, in accordance with section 1.148-1(f)(2)(i) of the Treasury Regulations.

3.2. 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.

### 4. Interest and Sinking Fund.

4.1. The Order confirms the creation of the Interest and Sinking Fund. Other than as described herein, money deposited in the Interest and Sinking Fund will be used to pay the principal of and interest on the Bonds (the "Bona Fide Debt Service Portion"). The Bona Fide Debt Service Portion constitutes a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Such portion will be completely depleted at least once each year except for an amount not in excess of the greater of (a) one-twelfth of the debt service on the Bonds for the previous year, or (b) the previous year's earnings on such portion of the Interest and Sinking Fund. Amounts deposited in the Interest and Sinking Fund constituting the Bona Fide Debt Service Portion will be spent within a thirteen-month period beginning on the date of deposit, and any amount received from the investment of money held in the Interest and Sinking Fund will be spent within a one-year period beginning on the date of receipt.

4.2. A portion of the funds on deposit in the Interest and Sinking Fund, not otherwise used to pay debt service on the Bonds within thirteen months, will be held in trust for the benefit of the holders of the Bonds (the "Reserve Portion"). If on any interest payment or maturity date, sufficient amounts are not available to make debt service payments on the Bonds, the Issuer is required to use such money constituting the Reserve Portion in an amount sufficient to make such payments. The present value of the investments deposited to the Reserve Portion of the Interest and Sinking Fund and allocable to the Bonds that will be invested at a yield higher than the yield on 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.

4.3. Based on the representation of the Financial Advisor, the amount on deposit in the Reserve Portion of the Interest and Sinking Fund should be maintained as a balance allocable to the Bonds in the Interest and Sinking Fund consistent with accepted 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.

4.4. Any money deposited in the Interest and Sinking 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 Interest and Sinking Fund. The yield on any investments allocable to the portion of the Interest and Sinking 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.

5. Transferred 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, the Original 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.

6. Invested Sinking Fund Proceeds, Replacement Proceeds.

6.1. The Issuer has, in addition to the moneys received from the sale of the Bonds, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

6.2. Other than the Interest and Sinking Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Bonds, or (b) which are reserved or pledged as collateral for payment of debt service on the Bonds and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Bonds, within the meaning of section 148 of the Code.

7. 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.

8. 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.

9. 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 PERIOD BEGINNING ON THE 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.

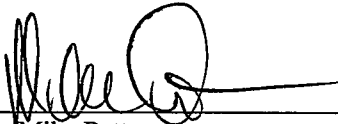
10. Rebate to United States.

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.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

DATED as of July 31, 2019.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By:   
Name: Mike Petter  
Title: Chief Financial Officer

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Subsection 4.3 of this Federal Tax Certificate and the Schedules attached hereto as Exhibit "E" are, as of July 31, 2019, 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 "A"

November 1, 2016

**ARBITRAGE REBATE REGULATIONS**<sup>®</sup>

The arbitrage rebate requirements set forth in section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provide that in order for interest on any issue of bonds<sup>1</sup> to be excluded from gross income (i.e., tax-exempt) the issuer must rebate to the United States the sum of, (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

On June 18, 1993, the U.S. Treasury Department promulgated regulations relating to the computation of arbitrage rebate and the rebate exceptions. These regulations, which replace the previously-published regulations promulgated on May 15, 1989, and on May 18, 1992, are effective for bonds issued after June 30, 1993, have been amended. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations, as amended. This memorandum does not otherwise discuss the general arbitrage regulations, other than as they may incidentally relate to rebate. This memorandum also does not attempt to provide an exhaustive discussion of the arbitrage rebate regulations and should not be considered advice with respect to the arbitrage rebate requirements as applied to any individual or governmental unit or any specific transaction. Any tax advice contained in this memorandum is of a general nature and is not intended to be used, and should not be used, by any person to avoid penalties under the Code.

McCall, Parkhurst & Horton L.L.P. remains available to provide legal advice to issuers with respect to the provisions of these tax regulations but recommends that issuers seek competent financial and accounting assistance in calculating the amount of such issuer's rebate liability under section 148(f) of the Code and in making elections to apply the rebate exceptions.

**Effective Dates**

The regulations promulgated on June 18, 1993, generally apply to bonds delivered after June 30, 1993, although they do permit an issuer to elect to apply the rules to bonds issued prior to that date. The temporary regulations adopted by the U.S. Treasury Department in 1989 and 1992 incorporated the same effective dates which generally apply for purposes of section 148(f) of the Code. As such, the previous versions of the rebate regulations generally applied to bonds issued between August 1986 and June 30, 1993 (or, with an election, to bonds issued prior to August 15, 1993). The statutory provisions of section 148(f) of the Code, other than the exception for construction issues, apply to all bonds issued after August 15, 1986, (for private activity bonds) and August 31, 1986, (for governmental public purpose bonds). The statutory exception to rebate applicable for construction issues generally applies if such issue is delivered after December 19, 1989.

The regulations provide numerous transitional rules for bonds sold prior to July 1, 1993. Moreover, since, under prior law, rules were previously published with respect to industrial development bonds and

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<sup>1</sup> In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

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mortgage revenue bonds, the transitional rules contained in these regulations permit an issuer to elect to apply certain of these rules for computing rebate on pre-1986 bonds. The regulations provide for numerous elections which would permit an issuer to apply the rules (other than 18-month spending exception) to bonds which were issued prior to July 1, 1993 and remain outstanding on June 30, 1993. Due to the complexity of the regulations, it is impossible to discuss in this memorandum all circumstances for which specific elections are provided. If an issuer prefers to use these final version of rebate regulations in lieu of the computational method stated under prior law (e.g., due to prior redemption) or the regulations, please contact McCall, Parkhurst & Horton L.L.P. for advice as to the availability of such options.

## Future Value Computation Method

The regulations employ an actuarial method for computing the rebate amount based on the future value of the investment receipts (i.e., earnings) and payments. The rebate method employs a two-step computation to determine the amount of the rebate payment. First, the issuer determines the bond yield. Second, the issuer determines the arbitrage rebate amount. The regulations require that the computations be made at the end of each five-year period and upon final maturity of the issue (the "computation dates"). **THE FINAL MATURITY DATE WILL ACCELERATE IN CIRCUMSTANCES IN WHICH THE BONDS ARE OPTIONALLY REDEEMED PRIOR TO MATURITY. AS SUCH, IF BONDS ARE REFUNDED OR OTHERWISE REDEEMED, THE REBATE MAY BE DUE EARLIER THAN INITIALLY PROJECTED.** In order to accommodate accurate record-keeping and to assure that sufficient amounts will be available for the payment of arbitrage rebate liability, however, we recommend that the computations be performed at least annually. Please refer to other materials provided by McCall, Parkhurst & Horton L.L.P. relating to federal tax rules regarding record retention.

Under the future value method, the amount of rebate is determined by compounding the aggregate earnings on all the investments from the date of receipt by the issuer to the computation date. Similarly, a payment for an investment is future valued from the date that the payment is made to the computation date. The receipts and payments are future valued at a discount rate equal to the yield on the bonds. The rebatable arbitrage, as of any computation date, is equal to the excess of the (1) future value of all receipts from investments (i.e., earnings), over (2) the future value of all payments.

The following example is provided in the regulations to illustrate how arbitrage rebate is computed under the future value method for a fixed-yield bond:

"On January 1, 1994, City A issues a fixed yield issue and invests all the sale proceeds of the issue (\$49 million). There are no other gross proceeds. The issue has a yield of 7.0000 percent per year compounded semiannually (computed on a 30 day month/360 day year basis). City A receives amounts from the investment and immediately expends them for the governmental purpose of the issue as follows:

| <u>Date</u> | <u>Amount</u> |
|-------------|---------------|
| 2/1/1994    | \$ 3,000,000  |
| 4/1/1994    | 5,000,000     |
| 6/1/1994    | 14,000,000    |
| 9/1/1994    | 20,000,000    |
| 7/1/1995    | 10,000,000    |

City A selects a bond year ending on January 1, and thus the first required computation date is January 1, 1999. The rebate amount as of this date is computed by determining the future value of the receipts and the payments for the investment. The compounding interval is each 6-month (or shorter) period and the 30 day month/360 day year basis is



used because these conventions were used to compute yield on the issue. The future value of these amounts, plus the computation credit, as of January 1, 1999, is:

| <u>Date</u> | <u>Receipts (Payments)</u> | <u>FY (7.0000 percent)</u> |
|-------------|----------------------------|----------------------------|
| 1/1/1994    | (\$49,000,000)             | (\$69,119,339)             |
| 2/1/1994    | 3,000,000                  | 4,207,602                  |
| 4/1/1994    | 5,000,000                  | 6,932,715                  |
| 6/1/1994    | 14,000,000                 | 19,190,277                 |
| 9/1/1994    | 20,000,000                 | 26,947,162                 |
| 1/1/1995    | (1,000)                    | (1,317)                    |
| 7/1/1995    | 10,000,000                 | 12,722,793                 |
| 1/1/1996    | (1,000)                    | <u>(1,229)</u>             |
|             | Rebate amount (01/01/1999) | <u>\$878,664"</u>          |

**General Method for Computing Yield on Bonds**

In general, the term "yield," with respect to a bond, means the discount rate that when used in computing the present value of all unconditionally due payments of principal and interest and all of the payments for a qualified guarantee produces an amount equal to the issue price of the bond. The term "issue price" has the same meaning as provided in sections 1273 and 1274 of the Code. That is, if bonds are publicly offered (i.e., sold by the issuer to a bond house, broker or similar person acting in the capacity of underwriter or wholesaler), the issue price of each bond is determined on the basis of the initial offering price to the public (not to the aforementioned intermediaries) at which price a substantial amount of such bond was sold to the public (not to the aforementioned intermediaries). The "issue price" is separately determined for each bond (i.e., maturity) comprising an issue.

The regulations also provide varying periods for computing yield on the bonds depending on the method by which the interest payment is determined. Thus, for example, yield on an issue of bonds sold with variable interest rates (i.e., interest rates which are reset periodically based on changes in market) is computed separately for each computation period ending at least on each five-year anniversary of the delivery date that the issue. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period.

Yield on a fixed interest rate issue (i.e., an issue of bonds the interest rate on which is determined as of the date of the issue) is computed over the entire term of the issue. Issuers of fixed-yield issues generally use the yield computed as of the date of issue for all rebate computations. The yield on fixed-yield issues must be computed by assuming retirements of principal on a call date earlier than the stated maturity date of a bond if (1) the bond is sold at a substantial premium, it may be retired within five years of the date of delivery, and such date is earlier than its scheduled maturity date, or (2) the issue is a stepped-coupon bond. Similarly, recomputation may occur in circumstances in which the issuer or bondholder modify or waive certain terms of, or rights with respect to, the issue or in sophisticated hedging transactions. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

For purposes of determining the principal or redemption payments on a bond, different rules are used for fixed-rate and variable-rate bonds. The payment is computed separately on each maturity of bonds rather than on the issue as a whole. In certain circumstances, the yield on the bond is determined by assuming that principal on the bond is paid as scheduled and that the bond is retired on the final maturity date for the stated retirement price. For bonds subject to early redemption or stepped-coupon bonds, described above, or for



bonds subject to mandatory early redemption, the yield is computed assuming the bonds are paid on the early redemption date for an amount equal to their value.

Premiums paid to guarantee the payment of debt service on bonds are taken into account in computing the yield on the bond. Payments for guarantees are taken into account by treating such premiums as the payment of interest on the bonds. This treatment, in effect, raises the yield on the bond, thereby permitting the issuer to recover such fee with excess earnings.

The guarantee must be an unconditional obligation of the guarantor enforceable by the bondholder for the payment of principal or interest on the bond or the tender price of a tender bond. The guarantee may be in the form of an insurance policy, surety bond, irrevocable letter or line of credit, or standby purchase agreement. Importantly, the guarantor must be legally entitled to full reimbursement for any payment made on the guarantee either immediately or upon commercially reasonable repayment terms. The guarantor may not be a co-obligor of the bonds or a user of more than 10 percent of the proceeds of the bonds.

Payments for the guarantee may not exceed a reasonable charge for the transfer of credit risk. This reasonable charge requirement is not satisfied unless it is reasonably expected that the guarantee will result in a net present value savings on the bond (i.e., the premium does not exceed the present value of the interest savings resulting by virtue of the guarantee). If the guarantee is entered into after June 14, 1989, then any fees charged for the nonguarantee services must be separately stated or the guarantee fee is not recoverable.

The regulations also treat certain "hedging" transactions in a manner similar to qualified guarantees. "Hedges" are contracts, e.g., interest rate swaps, futures contracts or options, which are intended to reduce the risk of interest rate fluctuations. Hedges and other financial derivatives are sophisticated and ever-evolving financial products with which a memorandum, such as this, cannot readily deal. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

#### **Earnings on Nonpurpose Investments**

The arbitrage rebate provisions apply only to the receipts from the investment of "gross proceeds" in "nonpurpose investments." For this purpose, nonpurpose investments are stock, bonds or other obligations acquired with the gross proceeds of the bonds for the period prior to the expenditure of the gross proceeds for the ultimate purpose. For example, investments deposited to construction funds, reserve funds (including surplus taxes or revenues deposited to sinking funds) or other similar funds are nonpurpose investments. Such investments include only those which are acquired with "gross proceeds." For this purpose, the term "gross proceeds" includes original proceeds received from the sale of the bonds, investment earnings from the investment of such original proceeds, amounts pledged to the payment of debt service on the bonds or amounts actually used to pay debt service on the bonds. The regulations do not provide a sufficient amount of guidance to include an exhaustive list of "gross proceeds" for this purpose; however, it can be assumed that "gross proceeds" represent all amounts received from the sale of bonds, amounts earned as a result of such sale or amounts (including taxes and revenues) which are used to pay, or secure the payment of, debt service for the bonds. The total amount of "gross proceeds" allocated to a bond generally cannot exceed the outstanding principal amount of the bonds.

The regulations provide that an investment is allocated to an issue for the period (1) that begins on the date gross proceeds are used to acquire the investment, and (2) that ends on the date such investment ceases to be allocated to the issue. In general, proceeds are allocated to a bond issue until expended for the ultimate purpose for which the bond was issued or for which such proceeds are received (e.g., construction of a bond-financed facility or payment of debt service on the bonds). Deposit of gross proceeds to the general fund of the

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issuer (or other fund in which they are commingled with revenues or taxes) does not eliminate or ameliorate the Issuer's obligation to compute rebate in most cases. As such, proceeds commingled with the general revenues of the issuer are not "freed-up" from the rebate obligation. An exception to this commingling limitation for bonds, other than private activity bonds, permits "investment earnings" (but not sale proceeds or other types of gross proceeds) to be considered spent when deposited to a commingled fund if those amounts are reasonably expected to be spent within six months. Other than for these amounts, issuers may consider segregating investments in order to more easily compute the amount of such arbitrage earnings by not having to allocate investments.

Special rules are provided for purposes of advance refundings. These rules are too complex to discuss in this memorandum. Essentially, the rules relating to refundings, however, do not require that amounts deposited to the escrow fund to defease the prior obligations of the issuer be subject to arbitrage rebate to the extent that the investments deposited to the escrow fund do not have a yield in excess of the yield on the bonds. Any loss resulting from the investment of proceeds in an escrow fund below the yield on the bonds, however, may be recovered by combining those investments with investments deposited to other funds, e.g., reserve or construction funds.

The arbitrage regulations also provide an exception to the arbitrage limitations for the investment of bond proceeds in tax-exempt obligations. As such, investment of proceeds in tax exempt bonds eliminates the Issuer's rebate obligation. A caveat; this exception does not apply to gross proceeds derived allocable to a bond, which is not subject to the alternative minimum tax under section 57(a)(5) of the Code, if invested in tax-exempt bonds subject to the alternative minimum tax, i.e., "private activity bonds." Such "AMT-subject" investment is treated as a taxable investment and must comply with the arbitrage rules, including rebate. Earnings from these tax-exempt investments are subject to arbitrage restrictions, including rebate.

Similarly, the investment of gross proceeds in certain tax-exempt mutual funds are treated as a direct investment in the tax-exempt obligations deposited in such fund. While issuers may invest in such funds for purposes of avoiding arbitrage rebate, they should be aware that if "private activity bonds" are included in the fund then a portion of the earnings will be subject to arbitrage rebate. Issuers should be prudent in assuring that the funds do not contain private activity bonds.

The arbitrage regulations provide a number of instances in which earnings will be imputed to nonpurpose investments. Receipts generally will be imputed to investments that do not bear interest at an arm's-length (i.e., market) interest rate. As such, the regulations adopt a "market price" rule. In effect, this rule prohibits an issuer from investing bond proceeds in investments at a price which is higher than the market price of comparable obligations, in order to reduce the yield. Special rules are included for determining the market price for investment contracts, certificates of deposit and certain U.S. Treasury obligations. For example, to establish the fair market value of investment contracts a bidding process between three qualified bidders must be used. The fair market value of certificates of deposit which bear a fixed interest rate and are subject to an early withdrawal penalty is its purchase price if that price is not less than the yield on comparable U.S. Treasury obligations and is the highest yield available from the institution. In any event, a basic "common sense" rule-of-thumb that can be used to determine whether a fair market value has been paid is to ask whether the general funds of the issuer would be invested at the same yield or at a higher yield. An exception to this market price rule is available for United States Treasury Obligations - State or Local Government Series in which case the purchase price is always the market price.

## **Reimbursement and Working Capital**

The regulations provide rules for purposes of determining whether gross proceeds are used for working capital and, if so, at what times those proceeds are considered spent. In general, issuers can finance short-term or long-term working capital with tax-exempt bonds. By adopting a "proceeds-spent-last" rule, the regulations also generally require that an issuer actually incur a deficit (i.e., expenditures must exceed receipts)

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for the computation period (which generally corresponds to the issuer's fiscal year in the case of short-term working capital financing). Also, the regulations permit an operating reserve, but unlike prior regulations the amount of such reserve may not exceed five percent of the issuer's actual working capital expenditures for the prior fiscal year. A change was made to the regulations in 2016 allows issuers to finance the operating reserve with proceeds of a tax-exempt obligation. The regulations generally continue the prior regulations' 13-month temporary period for short-term working capital financing.

Long-term working capital financings are beyond the scope of this memorandum. In the event long-term working capital financing is needed, issuers are advised to consult McCall, Parkhurst & Horton L.L.P. to address the federal income tax consequences of these transactions.

Importantly, the regulations contain rules for determining whether proceeds used to reimburse an issuer for costs paid prior to the date of issue of the obligation, in fact, are considered spent at the time of reimbursement. These rules apply to an issuer who uses general revenues for the payment of all or a portion of the costs of a project then uses the proceeds of the bonds to reimburse those general revenues. Failure to comply with these rules would result in the proceeds continuing to be subject to federal income tax restrictions, including rebate.

To qualify for reimbursement, a cost must be described in an expression (e.g., resolution, legislative authorization) evidencing the issuer's intent to reimburse which is made no later than 60 days after the payment of the cost. Reimbursement must occur no later than 18 months after the later of (1) the date the cost is paid or (2) the date the project is placed in service. Except for projects requiring an extended construction period or small issuers, in no event can a cost be reimbursed more than three years after the cost is paid.

Reimbursement generally is not permitted for working capital; only capital costs, grants and loans may be reimbursed. Moreover, certain anti-abuse rules apply to prevent issuers from avoiding the limitations on refundings. **IN CASES INVOLVING WORKING CAPITAL OR REIMBURSEMENT, ISSUERS ARE ADVISED TO CONTACT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION.**

## **Rebate Payments**

Rebate payments generally are due 60 days after each installment computation date. The interim computation dates occur each fifth anniversary of the issue date. The final computation date is on the latest of (1) the date 60 days after the date the issue of bonds is no longer outstanding, (2) the date eight months after the date of issue for certain short-term obligations (i.e., obligations retired within three years), or (3) the date the issuer no longer reasonably expects any spending exception, discussed below, to apply to the issue. On such payment dates, other than the final payment date, an issuer is required to pay 90 percent of the rebatable arbitrage to the United States. On the final payment date, an issuer is required to pay 100 percent of the remaining rebate liability.

Failure to timely pay rebate does not necessarily result in the loss of tax-exemption. Late payments, however, are subject to the payment of interest, and unless waived, a penalty of 50 percent (or, in the case of private activity bonds, other than qualified 501(c)(3) bonds, 100 percent) of the rebate amount which is due. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

Rebate payments are refundable. The issuer, however, must establish to the satisfaction of the Commissioner of the Internal Revenue Service that the issuer paid an amount in excess of the rebate and that the recovery of the overpayment on that date would not result in additional rebatable arbitrage. An overpayment of less than \$5,000 may not be recovered before the final computation date.



### **Alternative Penalty Amount**

In certain cases, an issuer of a bond the proceeds of which are to be used for construction may elect to pay a penalty, in lieu of rebate. The penalty may be elected in circumstances in which the issuer expects to satisfy the two-year spending exception which is more fully described under the heading "Exceptions to Rebate." The penalty is payable, if at all, within 60 days after the end of each six-month period. This is more often than rebate. The election of the alternative penalty amount would subject an issuer, which fails the two-year spend-out requirements, to the payment of a penalty equal to one and one-half of the excess of the amount of proceeds which was required to be spent during that period over the amount which was actually spent during the period.

The penalty has characteristics which distinguish it from arbitrage rebate. First, the penalty would be payable without regard to whether any arbitrage profit is actually earned. Second, the penalty continues to accrue until either (1) the appropriate amount is expended or (2) the issuer elects to terminate the penalty. To be able to terminate the penalty, the issuer must meet specific requirements and, in some instances, must pay an additional penalty equal to three percent of the unexpended proceeds.

### **Exceptions to Rebate**

The Code and regulations provide certain exceptions to the requirement that the excess investment earnings be rebated to the United States.

a. *Small Issuers.* The first exception provides that if an issuer (together with all subordinate issuers) during a calendar year does not issue tax-exempt bonds<sup>2</sup> in an aggregate face amount exceeding \$5 million, then the obligations are not subject to rebate. *Only issuers with general taxing powers may take advantage of this exception.* Subordinate issuers are those issuers which derive their authority to issue bonds from the same issuer, e.g., a city and a health facilities development corporation, or which are controlled by the same issuer, e.g., a state and the board of a public university. In the case of bonds issued for public school capital expenditures, the \$5 million cap may be increased to as much as \$15 million. For purposes of measuring whether bonds in the calendar year exceed these dollar limits, current refunding bonds can be disregarded if they meet certain structural requirements. Please contact McCall, Parkhurst & Horton L.L.P. for further information.

b. *Spending Exceptions.*

*Six-Month Exception.* The second exception to the rebate requirement is available to all tax-exempt bonds, all of the gross proceeds of which are expended during six months. The six month rule is available to bonds issued after the effective date of the Tax Reform Act of 1986. See the discussion of effective dates on page two. For this purpose, proceeds used for the redemption of bonds (other than proceeds of a refunding bond deposited to an escrow fund to discharge refunded bonds) cannot be taken into account as expended. As such, bonds with excess gross proceeds generally cannot satisfy the second exception unless the amount does not exceed the lesser of five percent or \$100,000 and such de minimis amount must be expended within one year.

Certain gross proceeds are not subject to the spend-out requirement, including amounts deposited to a bona fide debt service fund, to a reserve fund and amounts which become gross proceeds received from purpose investments. These amounts themselves, however, may be subject to rebate even though the originally expended proceeds were not.

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<sup>2</sup> For this purpose, "private activity bonds" neither are afforded the benefit of this exception nor are taken into account for purposes of determining the amount of bonds issued.

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The Code provides a special rule for tax and revenue anticipation notes (i.e., obligations issued to pay operating expenses in anticipation of the receipt of taxes and other revenues). Such notes are referred to as TRANs. To determine the timely expenditure of the proceeds of a TRAN, the computation of the "cumulative cash flow deficit" is important. If the "cumulative cash flow deficit" (i.e., the point at which the operating expenditures of the issuer on a cumulative basis exceed the revenues of the issuer during the fiscal year) occurs within the first six months of the date of issue and must be equal to at least 90 percent of the proceeds of the TRAN, then the notes are deemed to satisfy the exception. This special rule requires, however, that the deficit actually occur, not that the issuer merely have an expectation that the deficit will occur. In lieu of the statutory exception for TRANs, the regulations also provide a second exception. Under this exception, 100 percent of the proceeds must be spent within six months, but before note proceeds can be considered spent, all other available amounts of the issuer must be spent first ("proceeds-spent-last" rule). In determining whether all available amounts are spent, a reasonable working capital reserve equal to five percent of the prior year's expenditures may be set aside and treated as unavailable.

18-Month Exception. The regulations also establish a non-statutory exception to arbitrage rebate if all of the gross proceeds (including investment earnings) are expended within 18 months after the date of issue. Under this exception, 15 percent of the gross proceeds must be expended within a six-month spending period, 60 percent within a 12-month spending period and 100 percent within an 18-month spending period. The rule permits an issuer to rely on its reasonable expectations for computing investment earnings which are included as gross proceeds during the first and second spending period. A reasonable retainage not to exceed five percent of the sale proceeds of the issue is not required to be spent within the 18-month period but must be expended within 30 months. Rules similar to the six-month exception relate to the definition of gross proceeds.

Two Year Exception. Bonds issued after December 19, 1989 (i.e., the effective date of the Omnibus Reconciliation Act of 1989), at least 75 percent of the net proceeds of which are to be used for construction, may be exempted from rebate if the gross proceeds are spent within two years. Bonds more than 25 percent of the proceeds of which are used for acquisition or working capital may not take advantage of this exception. The exception applies only to governmental bonds, qualified 501(c)(3) bonds and private activity bonds for governmentally-owned airports and docks and wharves. The two-year exception requires that at least 10 percent of the available construction proceeds must be expended within six months after the date of issue, 45 percent within 12 months, 75 percent within 18 months and 100 percent within 24 months. The term "available construction proceeds" generally means sale proceeds of the bonds together with investment earnings less amounts deposited to a qualified reserve fund or used to pay costs of issuance. Under this rule, a reasonable retainage not to exceed five percent need not be spent within 24 months but must be spent within 36 months.

The two-year rule also provides for numerous elections which must be made not later than the date of issuance of the bonds. Once made, the elections are irrevocable. Certain elections permit an issuer to bifurcate bond issues, thereby treating only a portion of the issue as a qualified construction bond; and, permit an issuer to disregard earnings from reserve funds for purposes of determining "available construction proceeds." Another election permits an issuer to pay the alternative penalty amount discussed above in lieu of rebate if the issuer ultimately fails to satisfy the two-year rule. Issuers should discuss these elections with their financial advisors prior to issuance of the bonds. Of course, McCall, Parkhurst & Horton L.L.P. remains available to assist you by providing legal interpretations thereof.

Debt Service Funds. Additionally, an exception to the rebate requirement, whether or not any of the previously discussed exceptions are available, applies for earnings on "bona fide debt service funds." A "bona fide debt service fund" is one in which the amounts are expended within 13 months of the accumulation of such amounts by the issuer. In general, most interest and sinking funds (other than any excess taxes or revenues accumulated therein) satisfy these requirements. For private activity bonds, short term bonds (i.e.,

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have a term of less than five years) or variable rate bonds, the exclusion is available only if the gross earnings in such fund does not exceed \$100,000, for the bond year. For other bonds issued after November 11, 1988, no limitation is applied to the gross earnings on such funds for purposes of this exception. Therefore, subject to the foregoing discussion, the issuer is not required to take such amounts into account for purposes of the computation.

## **Conclusion**

McCall, Parkhurst & Horton L.L.P. hopes that this memorandum will prove to be useful as a general guide to the arbitrage rebate requirements.

Again, this memorandum is not intended as an exhaustive discussion nor as specific advice with respect to any specific transaction. We advise our clients to seek competent financial and accounting assistance. Of course, we remain available to provide legal advice regarding all federal income tax matters, including arbitrage rebate. If you have any questions, please feel free to contact either Harold T. Flanagan or Stefano Taverna at (214) 754-9200.



EXHIBIT "B"

January 1, 2018

**Certain Federal Income Tax Considerations for  
Private Business Use of Bond-Financed Facilities**

This memorandum provides a general discussion of those types of contractual arrangements which give rise to private business use, and to what extent that use rises to a prohibited level. Generally, in order for bonds issued by governmental units to be tax-exempt, no more than a de minimis amount of the proceeds of the bonds or the facilities financed with such proceeds may be used by non-governmental users. That is, there may be no more than an incidental use by persons, other than state or local governments. Too much private business use can cause the bonds to become taxable. Private business use for this purpose can be direct or can result from indirect benefits being conveyed to a private person by contractual arrangement. The following discussion describes, in general terms, those types of arrangements which need to be scrutinized.

We hope that this general guideline will be useful to you in interacting with private parties regarding the use of bond proceeds or bond-financed facilities. While the statements contained herein are not intended as advice with regard to any specific transaction, McCall, Parkhurst & Horton L.L.P. remains available should you have questions about these rules. Any tax advice contained in this memorandum, including any attachments, was not intended or written to be used for the purpose of avoiding federal tax related penalties or promoting, marketing or recommending to another party any transaction or matter addressed herein. If you have any specific questions or comments, please feel free to contact Stefano Taverna or Harold T. Flanagan at (214) 754-9200.

I. Private Business Use

Arrangements that involve use in a trade or business by a nongovernmental person of bond proceeds or facilities financed with bond proceeds may cause a "private business use" problem. Bond-financed facilities may be used by a variety of people with differing consequences under these rules. For example, students, teachers, employees and the general public may use bond-financed facilities on a non-exclusive basis without constituting private business use. More problematic, however, is use of bond-financed facilities by groups such as managers, lessees (e.g., book store owners), persons providing services (e.g., food or cleaning), seminar groups, sports and entertainment groups, and even alumni associations. The benefits also may be considered to pass to a private person where the right to the output produced by the facility is transferred. For this purpose, the federal government is considered a non-governmental person. Use by an organization organized under section 501(c)(3) of the Internal Revenue Code in a trade or business unrelated to the exempt purpose of such organization also is considered use by a private person.

The term "use" includes both actual and beneficial use. As such, private business use may arise in a variety of ways. For example, ownership of a bond-financed facility by a non-governmental person is private business use. The leasing of a bond-financed facility by a non-governmental person can also cause a private business use problem. Along the same line,

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management of such facilities by a non-governmental person can cause a problem with private business use, absent compliance with the management contract rules discussed below. Essentially, such use can occur in connection with any arrangement in which the non-governmental user has a preference to benefit from the proceeds or the facilities. Therefore, any arrangement which results in a non-governmental person being the ultimate beneficiary of the bond financing must be considered.

1. Sales and Leases. The sale of a bond-financed facility to a non-governmental person would cause a private business use problem if that facility involved the use of more than 10 percent of the bond proceeds. Since state law often prohibits a governmental issuer from lending credit, this circumstance generally does not occur. Leases, however, also could be a problem because such arrangements grant a possessory interest in the facility which results in the lessee receiving a right to use the facility which is superior to members of the general public.

2. Management Contracts. Having a private manager will give rise to private business use unless certain terms of the management agreement demonstrate that beneficial use has not been passed to the manager. These factors relate to the compensation arrangements, contract term, cancellation provisions, and the relationship of the parties.

The tax rules provide that a contract that satisfies certain requirements is treated as a contract that does not give rise to private use of facilities financed with tax-exempt bonds ("Qualified Contract"). Additionally, certain arrangements that qualify as an eligible expense reimbursement arrangement do not give rise to private use.

A Qualified Contract is one that meets **all** of the following requirements:

- i. Compensation paid to the private manager must be reasonable;
- ii. The private manager cannot receive a share of "net profits" from the operation of the managed property;
- iii. The private manager cannot share in the net losses resulting from the operation of the managed property;
- iv. The contract's term cannot exceed 30 years or 80 percent of the weighted average reasonably expected economic life of the managed property, if less;
- v. The governmental owner must exercise a significant degree of control over the actual use of the managed property;
- vi. The governmental owner must retain the risk of loss (for example, in cases of catastrophic events); and
- vii. The private manager cannot take an inconsistent tax position from the position taken by the governmental owner nor can it retain substantial ability to limit the governmental owner's control rights.

Various factors must be evaluated when drafting a contract to ensure it meets this new safe-harbor, including the eligibility for, the amount of, and the timing of, compensation payments to the private manager, as well as the amount and contingency of, and the timing of operational losses borne by the private manager. Penalties for the inability to meet certain benchmarks are allowed, so long as they are determinable in a stated dollar amount, or a multiple thereof. Similarly, incentive compensations or bonuses are permissible, even if measured against



standards of quality of services, performance or productivity, so long as they are not based on the net profits from the management of the bond financed property.

An owner's control is significant so long as it retains control over the budget, the type of expenditures, dispositions of bond financed property and control over the general nature and type of use of those assets.

The tax rules also provide owner's flexibility when structuring compensation arrangements with private managers (which could include fixed, per capita, per unit or any other variable compensation arrangement and terms that could be as long as 30 years), as long as the term of the contract does not exceed the allowable term, including all renewal options, the owner retains significant controls over the venture, the compensation is reasonable and there is no sharing of net profit or net losses with the private manger.

3. Cooperative Research Agreements. A cooperative research agreement with a private sponsor whereby the private party uses bond-financed facilities may cause a private business use problem. Nevertheless, such use of a bond-financed facility by a non-governmental person is to be disregarded for purposes of private business use if the arrangement is in one of the following forms. First, the arrangement may be disregarded if the sponsoring party is required to pay a competitive price for any license or other use of resulting technology, and such price must be determined at the time the technology is available. Second, an arrangement may also qualify if a four-part requirement is met: (1) multiple, unrelated industry sponsors must agree to fund university-performed basic research; (2) the university must determine the research to be performed and the manner in which it is to be performed; (3) the university must have exclusive title to any patent or other product incidentally resulting from the basic research; and (4) sponsors must be limited to no more than a nonexclusive, royalty-free license to use the product of any such research.

4. Output Contracts. In some circumstances, private business use arises by virtue of contractual arrangements in which a governmental unit agrees to sell the output from a bond-financed facility to a non-governmental person. If the non-governmental person is obligated to take the output or to pay for output even if not taken, then private business use will arise. This is because the benefits and burdens of the bond-financed facility are considered as inuring to the non-governmental purchaser. In addition to the general rule, output-type facilities, including electric and gas generation, transmission and related facilities (but not water facilities) are further limited in the amount of private business use which may be permitted. If more than 5 percent of the proceeds are used for output facilities and if more than 10 percent of the output is sold pursuant to an output arrangement, then the aggregate private business use which may result (for all bond issues) is \$15,000,000.

## II. How Much Private Business Use is Too Much?

In general, there is too much private business use if an amount in excess of 10 percent of the proceeds of the bond issue are to be used, directly or indirectly, in a trade or business carried on by persons other than governmental units, and other than as members of the general public. All trade or business use by persons on a basis different than that of the general public is aggregated for the 10 percent limit. Private business use is measured on a facility or bond issue basis. On a facility basis, such use is generally measured by relative square footage, fair market rental value or the percentage of cost allocable to the private use. On a bond issue basis, the proceeds of the bond issue are allocated to private and governmental (or public) use of the



facility to determine the amount of private business use over the term of the bond issue. Temporary use is not necessarily "bad" (i.e, private use) even though it results in more than 10 percent of the facility being so used. For example, if 100 percent of a facility is used for a period equal to five percent of the term of the bond such use may not adversely impact the bonds. The question is whether the benefits and burdens of ownership have transferred to the private user, as in the case of a sale, lease or management contract. If these benefits and burdens have not transferred, such use may be disregarded for purposes of private business use. In no event should private business use exceed \$15,000,000.

In addition, if the private use is considered "unrelated or disproportionate" to the governmental purpose for issuance of the bonds, the private business use test is met if the level of the prohibited private use rises to 5 percent. The "unrelated" question turns on the operational relationship between the private use and use for the governmental purpose. In most cases, a related use facility must be located within or adjacent to the related governmental facility, e.g., a privately-operated school cafeteria would be related to the school in which it is located. Whereas, the use of a bond-financed facility as an administrative office building for a catering company that operates cafeterias for a school system would not be a related use of bond proceeds. Nonetheless, even if a use is related, it is disproportionate to the extent that bond proceeds used for the private use will exceed proceeds used for the related governmental use.

### III. When are the tests applied to analyze the qualification of a bond?

A bond is tested both (1) on the date of issue, and (2) over the term. The tests are applied to analyze the character of the bond on the date of issue, based on how the issuer expects to use the proceeds and the bond-financed property. This is known as the "**reasonable expectations**" standard. The tests also continuously are applied during the term of the bonds to determine whether there has been a deviation from those expectations. This is known as the "**change of use**" standard. When tested, bonds are viewed on an "issue-by-issue" basis. Generally, bonds secured by the same sources of funds are part of the same "issue" if they are sold within 15 days of one another.

### IV. What is the reasonable expectations standard?

The reasonable expectations standard will be the basis on which McCall, Parkhurst & Horton L.L.P., as bond counsel, will render the federal income tax opinion on the bonds. The statement of expectations will be incorporated into the Federal Tax Certificate, previously referred to as the Federal Tax Certificate. The certificate also will contain information about the amounts to be expended on different types of property, e.g., land, buildings, equipment, in order to compute a weighted useful life of the bond-financed property. Based on the information on useful life, the maximum weighted average maturity of the bonds tested to ensure that is restricted to no more than 120 percent of the useful life of the property being financed or refinanced.

### V. Change of Use Standard.

The disqualified private business use need not exist on the date of issue. Subsequent use by non-governmental persons also can cause a loss of tax-exemption. Post-issuance "change of use" of bond-financed facilities could result in the loss of the tax-exempt status of the bonds, unless certain elements exist which demonstrate the change was unforeseen. For this purpose, a change in use includes a failure to limit private business use subsequent to the date of issuance of the bonds. A reasonable expectation element requires that, as of the date of issue of the bonds, the governmental unit reasonably have expected to use the proceeds of the issue for qualified



facilities for the entire term of the issue. To fall within the safe harbor rules which avoid loss of tax-exempt status the governmental unit must assure that no circumstances be present which indicate an attempt to avoid directly or indirectly the requirements of federal income tax law.

Finally, the safe harbor requires that the governmental unit take remedial action that would satisfy one of the following provisions: redemption of bonds; alternative use of disposition proceeds of a facility that is financed by governmental bonds; or, alternative use of a facility that is financed by governmental bonds. For purposes of the latter two remedial action provisions, the governmental unit has 90 days from the date of the change of use to satisfy the requirements. In addition, there is an exception for small transactions for dispositions at a loss.

VI. Written Procedures.

Each governmental issuer should establish written procedures to assure continuing compliance with the private use and arbitrage limitations imposed by the Code. Moreover, the Internal Revenue Service ("IRS") is asking issuers to state in a bond issue's informational return (such as an 8038-G) whether such post-issuance procedures have been adopted. The federal tax certificate, together with the attached memoranda and bond covenants can be supplemented by standard written practices adopted by the executive officer or legislative bodies of the issuer. Accordingly, our firm is prepared to advise you with respect to additional practices which we believe would be beneficial in monitoring compliance and taking remedial action in cases of change in use. There is no standard uniform practice for all issuers to adopt because each issuer operates in unique fashion. However, if you wish us to assist you in developing practices which might assist you in complying with the viewpoints expressed by the IRS and its personnel, please contact your bond lawyer at McCall, Parkhurst & Horton LLP.

# MCCALL

PARKHURST & HORTON

Exhibit "C"

June 26, 2019

Mr. Mike Petter  
Chief Financial Officer  
Brushy Creek Municipal Utility District  
16318 Great Oaks Drive  
Round Rock, Texas 78681

Re: Brushy Creek Municipal Utility District  
Unlimited Tax Refunding Bonds, Series 2019

Ladies and Gentlemen:

As you know, the Brushy Creek Municipal Utility District (the "Issuer") 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 Issuer. 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 projects or to be deposited to the interest and sinking 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 captioned 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.

The Issuer has determined that there are no unexpended original and investment proceeds of the outstanding bonds deposited to the construction fund.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the projects or to be deposited to the interest and sinking 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 interest and sinking fund into three separate accounts. This does not require that you segregate monies deposited to the interest and sinking 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 interest and sinking fund is made up of taxes which are levied annually for the payment of current debt service on all the Issuer's outstanding bonds. Any taxes deposited to the interest and sinking 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 interest and sinking 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

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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 interest and sinking 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 interest and sinking 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 interest and sinking 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 interest and sinking 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 Issuer, whether for new money projects or for refunding, these amounts will change in their proportion.

As of January 1, 2018, tax-exempt bonds cannot be issued to advance refund another bond. While certain exceptions may apply, an advance refunding bond is one the proceeds of which are generally used to pay principal, interest or premium on another issue of bonds more than 90 days after the issue date of the refunding bond. **The Issuer should not use any proceeds of the bonds for the payment of principal, interest or premium on another issue of bonds without first discussing with Bond Counsel.**

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 period beginning on the 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

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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 Issuer 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 interest and sinking fund. This letter does not address the rebate consequences with respect to the interest and sinking 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. Pumbo  
Ms. Jacqueline E. Hale



Exhibit "D"

ISSUE PRICE CERTIFICATE

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ISSUE PRICE CERTIFICATE

The undersigned, as the duly authorized representative of Raymond James & Associates, Inc. (the "Purchaser"), with respect to the Unlimited Tax Refunding Bonds, Series 2019 issued by the Brushy Creek Municipal Utility District (the "Issuer") in the principal amount of \$6,605,000 (the "Bonds"), hereby certifies, based on its records and information available to it, as follows:

(a) The first price at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms (a "Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (the "Public") is set forth in the final Official Statement relating to the Bonds.

A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule A.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. 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. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this July 31, 2019.

RAYMOND JAMES & ASSOCIATES, INC. , as  
Underwriter

By: 

Name: Chad Runnels

SCHEDULE A  
PRICING WIRE OR EQUIVALENT COMMUNICATION

Wires

|                       |                      |    |                    |                  |           |
|-----------------------|----------------------|----|--------------------|------------------|-----------|
| Rec'd Date/Time (CST) | Sender               | ST | Wire Type/Title    | Master Message # | Deal Type |
| 06/26/19 02:23 PM     | Raymond James & Asso | TX | Final Pricing Wire |                  | Neg       |

RE: \$ 6,605,000  
 Brushy Creek Municipal Utility District  
 Unlimited Tax Refunding Bonds, Series 2019

MOODY'S: S&P: AA- (Stable) FITCH:

DATED:07/01/2019 FIRST COUPON:12/01/2019 INTEREST ACCRUES:07/01/2019

DUE: 06/01

INITIAL TRADE DATE: 06/27/2019 @ 12:15PM Eastern

| MATURITY   | AMOUNT | COUPON      | PRICE          | ADD'L<br>TAKEDOWN<br>( Pts ) | CUSIP     |
|------------|--------|-------------|----------------|------------------------------|-----------|
| 06/01/2021 | 1,535M | 3.00%       | 1.65           | 1/2                          | 117464ST5 |
|            |        | (Approx. \$ | Price 102.426) |                              |           |
| 06/01/2022 | 1,585M | 3.00%       | 1.70           | 1/2                          | 117464SU2 |
|            |        | (Approx. \$ | Price 103.579) |                              |           |
| 06/01/2023 | 1,385M | 3.00%       | 1.75           | 1/2                          | 117464SV0 |
|            |        | (Approx. \$ | Price 104.613) |                              |           |
| 06/01/2025 | 200M   | 3.00%       | 1.93           | 1/2                          | 117464SW8 |
|            |        | (Approx. \$ | Price 105.874) |                              |           |
| 06/01/2026 | 1,900M | 4.00%       | 2.02           | 1/2                          | 117464SX6 |
|            |        | (Approx. \$ | Price 112.576) |                              |           |

-----  
 CALL FEATURES: No optional call  
 -----

PRIORITY OF ORDERS AS FOLLOWS:  
 1. Member

The compliance addendum MSRB Rule G-11 will apply.

The Award is final for Wednesday, June 26, 2019 at 3:12PM Eastern .

Delivery is firm for Wednesday, July 31, 2019.

This issue is book entry only. This issue is clearing through DTC.

Award: 06/26/2019  
Award Time: 3:12PM Eastern  
Delivery: 07/31/2019 (Firm)  
Initial trade: 06/27/2019  
Date of Execution: 06/27/2019  
Time of Execution: 12:15PM Eastern

Raymond James & Associates, Inc.

By: Raymond James & Associates, Inc. Dallas, TX

Email Address                      Date Sent



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Exhibit "E"

SCHEDULES OF FINANCIAL ADVISOR

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[To be attached hereto]

## REFUNDING EFFECTS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Date       | Outstanding Debt Service (1) | Less: Refunded Debt Service (1) | Plus: New Principal | Plus: New Interest | Total Debt Service | Savings (2) |
|------------|------------------------------|---------------------------------|---------------------|--------------------|--------------------|-------------|
| 12/31/2019 | 421,735                      | 136,794                         |                     | 90,479             | 375,421            | 4,410       |
| 12/31/2020 | 3,115,661                    | 273,588                         |                     | 217,150            | 3,059,223          | 56,438      |
| 12/31/2021 | 3,123,030                    | 1,792,444                       | 1,535,000           | 194,125            | 3,059,711          | 63,319      |
| 12/31/2022 | 3,126,311                    | 1,793,550                       | 1,585,000           | 147,325            | 3,065,086          | 61,225      |
| 12/31/2023 | 2,886,098                    | 1,547,200                       | 1,385,000           | 102,775            | 2,826,673          | 59,425      |
| 12/31/2024 | 2,939,572                    | 88,600                          |                     | 82,000             | 2,932,972          | 6,600       |
| 12/31/2025 | 3,201,658                    | 338,500                         | 200,000             | 79,000             | 3,142,158          | 59,500      |
| 12/31/2026 | 3,202,185                    | 1,999,200                       | 1,900,000           | 38,000             | 3,140,985          | 61,200      |
| 12/31/2027 | 3,275,287                    |                                 |                     |                    | 3,275,287          |             |
| 12/31/2028 | 3,284,079                    |                                 |                     |                    | 3,284,079          |             |
|            | 28,575,615                   | 7,969,875                       | 6,605,000           | 950,854            | 28,161,594         | 372,117     |

## SOURCES AND USES OF FUNDS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

Dated Date 07/01/2019  
Delivery Date 07/31/2019

## Sources:

## Bond Proceeds:

|                  |                     |
|------------------|---------------------|
| Par Amount       | 6,605,000.00        |
| Accrued Interest | 18,095.83           |
| Premium          | 408,548.30          |
|                  | <u>7,031,644.13</u> |

## Other Sources of Funds:

|                      |           |
|----------------------|-----------|
| Debt Service Surplus | 60,000.00 |
|----------------------|-----------|

7,091,644.13

## Uses:

## Refunding Escrow Deposits:

|              |              |
|--------------|--------------|
| Cash Deposit | 6,855,597.92 |
|--------------|--------------|

## Other Fund Deposits:

|                  |           |
|------------------|-----------|
| Accrued Interest | 18,095.83 |
|------------------|-----------|

## Cost of Issuance:

|                      |                   |
|----------------------|-------------------|
| Bond Counsel         | 66,050.00         |
| Financial Advisor    | 66,050.00         |
| Rating Fee           | 15,000.00         |
| Printing             | 3,500.00          |
| Verification Agent   | 2,000.00          |
| Paying Agent         | 1,000.00          |
| Call Fees            | 1,000.00          |
| Miscellaneous        | 5,000.00          |
| Attorney General Fee | 6,605.00          |
|                      | <u>166,205.00</u> |

## Delivery Date Expenses:

|                        |           |
|------------------------|-----------|
| Underwriter's Discount | 51,135.28 |
|------------------------|-----------|

## Other Uses of Funds:

|                     |        |
|---------------------|--------|
| Additional Proceeds | 610.10 |
|---------------------|--------|

7,091,644.13



SUMMARY OF REFUNDING RESULTS

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

|  |              |
|--|--------------|
| Dated Date                                 | 07/01/2019   |
| Delivery Date                              | 07/31/2019   |
| Arbitrage yield                            | 1.869818%    |
| Escrow yield                               | 0.000000%    |
| Value of Negative Arbitrage                |              |
| <br>                                       |              |
| Bond Par Amount                            | 6,605,000.00 |
| True Interest Cost                         | 2.062604%    |
| Effective Interest Cost                    | 1.869818%    |
| Net Interest Cost                          | 2.172617%    |
| All-In TIC                                 | 2.703116%    |
| Average Coupon                             | 3.481123%    |
| Average Life                               | 4.055        |
| <br>                                       |              |
| Par amount of refunded bonds               | 6,810,000.00 |
| Average coupon of refunded bonds           | 4.008347%    |
| Average life of refunded bonds             | 4.082        |
| <br>                                       |              |
| PV of prior debt to 07/31/2019 @ 2.703116% | 7,192,755.71 |
| Net PV Savings                             | 337,157.79   |
| Percentage savings of refunded bonds       | 4.950922%    |
| Percentage savings of refunding bonds      | 5.104584%    |

**BOND SUMMARY STATISTICS**

**Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers**

|                                 |              |
|---------------------------------|--------------|
| Dated Date                      | 07/01/2019   |
| Delivery Date                   | 07/31/2019   |
| Last Maturity                   | 06/01/2026   |
| Arbitrage Yield                 | 1.869818%    |
| True Interest Cost (TIC)        | 2.062604%    |
| Net Interest Cost (NIC)         | 2.172617%    |
| All-In TIC                      | 2.703116%    |
| Average Coupon                  | 3.481123%    |
| Average Life (years)            | 4.055        |
| Duration of Issue (years)       | 3.819        |
| Par Amount                      | 6,605,000.00 |
| Bond Proceeds                   | 7,031,644.13 |
| Total Interest                  | 950,854.17   |
| Net Interest                    | 593,441.15   |
| Total Debt Service              | 7,555,854.17 |
| Maximum Annual Debt Service     | 1,938,000.00 |
| Average Annual Debt Service     | 1,102,638.36 |
| Underwriter's Fees (per \$1000) |              |
| Average Takedown                | 5.000000     |
| Management Fee                  | 1.000000     |
| Other Fee                       | 1.741905     |
| Total Underwriter's Discount    | 7.741905     |
| Bid Price                       | 105.411249   |

| Bond Component | Par Value    | Price   | Average Coupon | Average Life |
|----------------|--------------|---------|----------------|--------------|
| Serial Bonds   | 6,605,000.00 | 106.185 | 3.481%         | 4.055        |
|                | 6,605,000.00 |         |                | 4.055        |

|                            | TIC          | All-In TIC   | Arbitrage Yield |
|----------------------------|--------------|--------------|-----------------|
| Par Value                  | 6,605,000.00 | 6,605,000.00 | 6,605,000.00    |
| + Accrued Interest         | 18,095.83    | 18,095.83    | 18,095.83       |
| + Premium (Discount)       | 408,548.30   | 408,548.30   | 408,548.30      |
| - Underwriter's Discount   | -51,135.28   | -51,135.28   |                 |
| - Cost of Issuance Expense |              | -166,205.00  |                 |
| - Other Amounts            |              |              |                 |
| Target Value               | 6,980,508.85 | 6,814,303.85 | 7,031,644.13    |
| Target Date                | 07/31/2019   | 07/31/2019   | 07/31/2019      |
| Yield                      | 2.062604%    | 2.703116%    | 1.869818%       |

**SAVINGS**

**Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers**

| Date       | Prior Debt Service | Prior Receipts | Prior Net Cash Flow | Refunding Debt Service | Refunding Receipts | Refunding Net Cash Flow | Savings    | Present Value to 07/31/2019 @ 2.7031161% |
|------------|--------------------|----------------|---------------------|------------------------|--------------------|-------------------------|------------|--|
| 12/31/2019 | 136,793.75         | 60,000.00      | 76,793.75           | 90,479.17              | 18,095.83          | 72,383.33               | 4,410.42   | 3,994.33                                 |
| 12/31/2020 | 273,587.50         |                | 273,587.50          | 217,150.00             |                    | 217,150.00              | 56,437.50  | 54,816.66                                |
| 12/31/2021 | 1,792,443.75       |                | 1,792,443.75        | 1,729,125.00           |                    | 1,729,125.00            | 63,318.75  | 60,017.70                                |
| 12/31/2022 | 1,793,550.00       |                | 1,793,550.00        | 1,732,325.00           |                    | 1,732,325.00            | 61,225.00  | 56,598.34                                |
| 12/31/2023 | 1,547,200.00       |                | 1,547,200.00        | 1,487,775.00           |                    | 1,487,775.00            | 59,425.00  | 53,569.19                                |
| 12/31/2024 | 88,600.00          |                | 88,600.00           | 82,000.00              |                    | 82,000.00               | 6,600.00   | 5,757.65                                 |
| 12/31/2025 | 338,500.00         |                | 338,500.00          | 279,000.00             |                    | 279,000.00              | 59,500.00  | 50,856.45                                |
| 12/31/2026 | 1,999,200.00       |                | 1,999,200.00        | 1,938,000.00           |                    | 1,938,000.00            | 61,200.00  | 50,937.37                                |
|            | 7,969,875.00       | 60,000.00      | 7,909,875.00        | 7,555,854.17           | 18,095.83          | 7,537,758.33            | 372,116.67 | 336,547.69                               |

Savings Summary

|                               |                   |
|-------------------------------|-------------------|
| PV of savings from cash flow  | 336,547.69        |
| Plus: Refunding funds on hand | 610.10            |
| <b>Net PV Savings</b>         | <b>337,157.79</b> |

**BOND PRICING**

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Bond Component | Maturity Date | Amount              | Rate   | Yield  | Price   | Premium (-Discount) | Takedown |
|----------------|---------------|---------------------|--------|--------|---------|---------------------|----------|
| Serial Bonds:  |               |                     |        |        |         |                     |          |
|                | 06/01/2021    | 1,535,000.00        | 3.000% | 1.650% | 102.426 | 37,239.10           | 5.000    |
|                | 06/01/2022    | 1,585,000.00        | 3.000% | 1.700% | 103.579 | 56,727.15           | 5.000    |
|                | 06/01/2023    | 1,385,000.00        | 3.000% | 1.750% | 104.613 | 63,890.05           | 5.000    |
|                | 06/01/2025    | 200,000.00          | 3.000% | 1.930% | 105.874 | 11,748.00           | 5.000    |
|                | 06/01/2026    | 1,900,000.00        | 4.000% | 2.020% | 112.576 | 238,944.00          | 5.000    |
|                |               | <b>6,605,000.00</b> |        |        |         | <b>408,548.30</b>   |          |

|                        |              |             |
|------------------------|--------------|-------------|
| Dated Date             | 07/01/2019   |             |
| Delivery Date          | 07/31/2019   |             |
| First Coupon           | 12/01/2019   |             |
| Par Amount             | 6,605,000.00 |             |
| Premium                | 408,548.30   |             |
| Production             | 7,013,548.30 | 106.185440% |
| Underwriter's Discount | -51,135.28   | -0.774190%  |
| Purchase Price         | 6,962,413.02 | 105.411249% |
| Accrued Interest       | 18,095.83    |             |
| Net Proceeds           | 6,980,508.85 |             |

COST OF ISSUANCE

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Cost of Issuance     | \$/1000  | Amount     |
|----------------------|----------|------------|
| Bond Counsel         | 10.00000 | 66,050.00  |
| Financial Advisor    | 10.00000 | 66,050.00  |
| Rating Fee           | 2.27101  | 15,000.00  |
| Printing             | 0.52990  | 3,500.00   |
| Verification Agent   | 0.30280  | 2,000.00   |
| Paying Agent         | 0.15140  | 1,000.00   |
| Call Fees            | 0.15140  | 1,000.00   |
| Miscellaneous        | 0.75700  | 5,000.00   |
| Attorney General Fee | 1.00000  | 6,605.00   |
|                      | 25.16351 | 166,205.00 |

UNDERWRITER'S DISCOUNT

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Underwriter's Discount | \$/1000 | Amount    |
|------------------------|---------|-----------|
| Average Takedown       | 5.00000 | 33,025.00 |
| Management Fee         | 1.00000 | 6,605.00  |
| Expenses               | 0.45500 | 3,005.28  |
| Underwriter's Counsel  | 1.28690 | 8,500.00  |
|                        | 7.74190 | 51,135.28 |

## BOND DEBT SERVICE

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

Dated Date 07/01/2019  
Delivery Date 07/31/2019

| Period<br>Ending | Principal    | Coupon | Interest   | Debt Service |
|------------------|--------------|--------|------------|--------------|
| 12/31/2019       |              |        | 90,479.17  | 90,479.17    |
| 12/31/2020       |              |        | 217,150.00 | 217,150.00   |
| 12/31/2021       | 1,535,000.00 | 3.000% | 194,125.00 | 1,729,125.00 |
| 12/31/2022       | 1,585,000.00 | 3.000% | 147,325.00 | 1,732,325.00 |
| 12/31/2023       | 1,385,000.00 | 3.000% | 102,775.00 | 1,487,775.00 |
| 12/31/2024       |              |        | 82,000.00  | 82,000.00    |
| 12/31/2025       | 200,000.00   | 3.000% | 79,000.00  | 279,000.00   |
| 12/31/2026       | 1,900,000.00 | 4.000% | 38,000.00  | 1,938,000.00 |
|                  | 6,605,000.00 |        | 950,854.17 | 7,555,854.17 |

## SUMMARY OF BONDS REFUNDED

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

| Bond                            | Maturity Date | Interest Rate | Par Amount   | Call Date  | Call Price |
|---------------------------------|---------------|---------------|--------------|------------|------------|
| U/L Tax Ref Bds Ser 2009, 2009: |               |               |              |            |            |
| SERIAL                          | 06/01/2021    | 4.125%        | 230,000.00   | 07/31/2019 | 100.000    |
|                                 | 06/01/2022    | 4.375%        | 240,000.00   | 07/31/2019 | 100.000    |
|                                 |               |               | 470,000.00   |            |            |
| U/L Tax Ref Bds Ser 2010, 2010: |               |               |              |            |            |
| SERIAL                          | 06/01/2021    | 4.000%        | 1,320,000.00 | 07/31/2019 | 100.000    |
|                                 | 06/01/2022    | 4.000%        | 1,375,000.00 | 07/31/2019 | 100.000    |
|                                 | 06/01/2023    | 4.000%        | 1,430,000.00 | 07/31/2019 | 100.000    |
| TERM                            | 06/01/2026    | 4.000%        | 2,215,000.00 | 07/31/2019 | 100.000    |
|                                 |               |               | 6,340,000.00 |            |            |
|                                 |               |               | 6,810,000.00 |            |            |



## PRIOR BOND DEBT SERVICE

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Period Ending | Principal    | Coupon | Interest     | Debt Service | Annual Debt Service |
|---------------|--------------|--------|--------------|--------------|---------------------|
| 12/01/2019    |              |        | 136,793.75   | 136,793.75   |                     |
| 12/31/2019    |              |        |              |              | 136,793.75          |
| 06/01/2020    |              |        | 136,793.75   | 136,793.75   |                     |
| 12/01/2020    |              |        | 136,793.75   | 136,793.75   |                     |
| 12/31/2020    |              |        |              |              | 273,587.50          |
| 06/01/2021    | 1,550,000.00 | ** %   | 136,793.75   | 1,686,793.75 |                     |
| 12/01/2021    |              |        | 105,650.00   | 105,650.00   |                     |
| 12/31/2021    |              |        |              |              | 1,792,443.75        |
| 06/01/2022    | 1,615,000.00 | ** %   | 105,650.00   | 1,720,650.00 |                     |
| 12/01/2022    |              |        | 72,900.00    | 72,900.00    |                     |
| 12/31/2022    |              |        |              |              | 1,793,550.00        |
| 06/01/2023    | 1,430,000.00 | 4.000% | 72,900.00    | 1,502,900.00 |                     |
| 12/01/2023    |              |        | 44,300.00    | 44,300.00    |                     |
| 12/31/2023    |              |        |              |              | 1,547,200.00        |
| 06/01/2024    |              |        | 44,300.00    | 44,300.00    |                     |
| 12/01/2024    |              |        | 44,300.00    | 44,300.00    |                     |
| 12/31/2024    |              |        |              |              | 88,600.00           |
| 06/01/2025    | 255,000.00   | 4.000% | 44,300.00    | 299,300.00   |                     |
| 12/01/2025    |              |        | 39,200.00    | 39,200.00    |                     |
| 12/31/2025    |              |        |              |              | 338,500.00          |
| 06/01/2026    | 1,960,000.00 | 4.000% | 39,200.00    | 1,999,200.00 |                     |
| 12/31/2026    |              |        |              |              | 1,999,200.00        |
|               | 6,810,000.00 |        | 1,159,875.00 | 7,969,875.00 | 7,969,875.00        |

FORM 8038 STATISTICS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

Dated Date 07/01/2019  
Delivery Date 07/31/2019

| Bond Component | Date       | Principal    | Coupon | Price   | Issue Price  | Redemption at Maturity |
|----------------|------------|--------------|--------|---------|--------------|------------------------|
| Serial Bonds:  |            |              |        |         |              |                        |
|                | 06/01/2021 | 1,535,000.00 | 3.000% | 102.426 | 1,572,239.10 | 1,535,000.00           |
|                | 06/01/2022 | 1,585,000.00 | 3.000% | 103.579 | 1,641,727.15 | 1,585,000.00           |
|                | 06/01/2023 | 1,385,000.00 | 3.000% | 104.613 | 1,448,890.05 | 1,385,000.00           |
|                | 06/01/2025 | 200,000.00   | 3.000% | 105.874 | 211,748.00   | 200,000.00             |
|                | 06/01/2026 | 1,900,000.00 | 4.000% | 112.576 | 2,138,944.00 | 1,900,000.00           |
|                |            | 6,605,000.00 |        |         | 7,013,548.30 | 6,605,000.00           |

|                | Maturity Date | Interest Rate | Issue Price  | Stated Redemption at Maturity | Weighted Average Maturity | Yield   |
|----------------|---------------|---------------|--------------|-------------------------------|---------------------------|---------|
| Final Maturity | 06/01/2026    | 4.000%        | 2,138,944.00 | 1,900,000.00                  |                           |         |
| Entire Issue   |               |               | 7,013,548.30 | 6,605,000.00                  | 4.1290                    | 1.8698% |

|  |              |
|--|--------------|
| Proceeds used for accrued interest                                       | 18,095.83    |
| Proceeds used for bond issuance costs (including underwriters' discount) | 217,340.28   |
| Proceeds used for credit enhancement                                     | 0.00         |
| Proceeds allocated to reasonably required reserve or replacement fund    | 0.00         |
| Proceeds used to refund prior tax-exempt bonds                           | 6,795,597.92 |
| Proceeds used to refund prior taxable bonds                              | 0.00         |
| Remaining WAM of prior tax-exempt bonds (years)                          | 4.0650       |
| Remaining WAM of prior taxable bonds (years)                             | 0.0000       |
| Last call date of refunded tax-exempt bonds                              | 07/31/2019   |

2011 Form 8038 Statistics

|   |              |
|---|--------------|
| Proceeds used to currently refund prior issues                            | 6,795,597.92 |
| Proceeds used to advance refund prior issues                              | 0.00         |
| Remaining weighted average maturity of the bonds to be currently refunded | 4.0650       |
| Remaining weighted average maturity of the bonds to be advance refunded   | 0.0000       |

FORM 8038 STATISTICS

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

Refunded Bonds

| Bond Component            | Date       | Principal           | Coupon | Price   | Issue Price         |
|---------------------------|------------|---------------------|--------|---------|---------------------|
| U/L Tax Ref Bds Ser 2009: |            |                     |        |         |                     |
| SERIAL                    | 06/01/2021 | 230,000.00          | 4.125% | 98.459  | 226,455.70          |
| SERIAL                    | 06/01/2022 | 240,000.00          | 4.375% | 99.211  | 238,106.40          |
|                           |            | <u>470,000.00</u>   |        |         | <u>464,562.10</u>   |
| U/L Tax Ref Bds Ser 2010: |            |                     |        |         |                     |
| SERIAL                    | 06/01/2021 | 1,320,000.00        | 4.000% | 102.106 | 1,347,799.20        |
| SERIAL                    | 06/01/2022 | 1,375,000.00        | 4.000% | 101.564 | 1,396,505.00        |
| SERIAL                    | 06/01/2023 | 1,430,000.00        | 4.000% | 101.067 | 1,445,258.10        |
| TERM                      | 06/01/2025 | 255,000.00          | 4.000% | 99.416  | 253,510.80          |
| TERM                      | 06/01/2026 | 1,960,000.00        | 4.000% | 99.416  | 1,948,553.60        |
|                           |            | <u>6,340,000.00</u> |        |         | <u>6,391,626.70</u> |
|                           |            | <u>6,810,000.00</u> |        |         | <u>6,856,188.80</u> |

|                          | Last Call Date | Issue Date | Remaining Weighted Average Maturity |
|--------------------------|----------------|------------|-------------------------------------|
| U/L Tax Ref Bds Ser 2009 | 07/31/2019     | 12/01/2014 | 2.3487                              |
| U/L Tax Ref Bds Ser 2010 | 07/31/2019     | 12/01/2014 | 4.1898                              |
| All Refunded Issues      | 07/31/2019     |            | 4.0650                              |

PROOF OF ARBITRAGE YIELD

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

| Date       | Debt Service        | Present Value<br>to 07/31/2019<br>@ 1.8698175365% |
|------------|---------------------|---|
| 12/01/2019 | 90,479.17           | 89,914.94   |
| 06/01/2020 | 108,575.00          | 106,898.53  |
| 12/01/2020 | 108,575.00          | 105,908.38  |
| 06/01/2021 | 1,643,575.00        | 1,588,358.85                                      |
| 12/01/2021 | 85,550.00           | 81,910.15   |
| 06/01/2022 | 1,670,550.00        | 1,584,658.88                                      |
| 12/01/2022 | 61,775.00           | 58,056.07   |
| 06/01/2023 | 1,446,775.00        | 1,347,083.50                                      |
| 12/01/2023 | 41,000.00           | 37,821.26   |
| 06/01/2024 | 41,000.00           | 37,470.94   |
| 12/01/2024 | 41,000.00           | 37,123.87   |
| 06/01/2025 | 241,000.00          | 216,194.67  |
| 12/01/2025 | 38,000.00           | 33,773.04   |
| 06/01/2026 | 1,938,000.00        | 1,706,471.05                                      |
|            | <b>7,555,854.17</b> | <b>7,031,644.13</b>                               |

Proceeds Summary

|                              |                     |
|------------------------------|---------------------|
| Delivery date                | 07/31/2019          |
| Par Value                    | 6,605,000.00        |
| Accrued interest             | 18,095.83           |
| Premium (Discount)           | 408,548.30          |
| Target for yield calculation | <b>7,031,644.13</b> |

ESCROW REQUIREMENTS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Period<br>Ending | Interest  | Principal<br>Redeemed | Total        |
|------------------|-----------|-----------------------|--------------|
| 07/31/2019       | 45,597.92 | 6,810,000.00          | 6,855,597.92 |
|                  | 45,597.92 | 6,810,000.00          | 6,855,597.92 |

ESCROW COST DETAIL

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Escrow | Purchase Date | Cost of Securities | Cash Deposit | Total Escrow Cost |
|--------|---------------|--------------------|--------------|-------------------|
| DSF    | 07/31/2019    |                    | 60,000.00    | 60,000.00         |
| BP     | 07/31/2019    |                    | 6,795,597.92 | 6,795,597.92      |
|        |               | 0.00               | 6,855,597.92 | 6,855,597.92      |

ESCROW SUFFICIENCY

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Date       | Escrow Requirement | Net Escrow Receipts | Excess Receipts | Excess Balance |
|------------|--------------------|---------------------|-----------------|----------------|
| 07/31/2019 | 6,855,597.92       | 6,855,597.92        | 0.00            | 0.00           |
|            | 6,855,597.92       | 6,855,597.92        | 0.00            |                |

ESCROW STATISTICS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| 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 |
|--------|-------------------|---------------------------|-----------------------|----------------------------|---------------------|-----------------------------|-------------------|
| DSF    | 60,000.00         |                           |                       |                            | 60,000.00           |                             |                   |
| BP     | 6,795,597.92      |                           |                       |                            | 6,795,597.92        |                             |                   |
|        | 6,855,597.92      |                           |                       |                            | 6,855,597.92        | 0.00                        | 0.00              |

Delivery date 07/31/2019  
Arbitrage yield 1.869818%



June 26, 2019

Maureen Vachuska  
Wells Fargo Bank, N.A.  
Wells Fargo Bank, N.A.  
600 S. 4<sup>th</sup> Street, 6<sup>th</sup> Floor  
MAC N9300-060  
Minneapolis, Minnesota 55415

**Re: Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 and Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010 (the "Refunded Bonds")**

Dear Molly:

Enclosed please find a copy of the order ("Bond Order") authorizing **Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019** (the "Bonds"), the orders authorizing the captioned bonds (the "Refunded Bonds") which Wells Fargo Bank, N.A. ("Wells Fargo") serves as Paying Agent/Registrar and the Conditional Notice of Redemption.

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 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 as soon as possible in order for the Refunded Bonds to be redeemed on the redemption date of July 31, 2019.

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.

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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.

C. D. Polumbo

**WELLS FARGO BANK, N.A.**

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

*M. Parkhurst*

Date: \_\_\_\_\_

7/2/19

CONDITIONAL NOTICE OF REDEMPTION

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

Notice is hereby given that the following obligations issued by Brushy Creek Municipal Utility District (the "District") have been 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 UNLIMITED TAX REFUNDING BONDS, SERIES 2009**, outstanding obligations maturing on June 1 in each of the years 2021 and 2022, aggregating \$470,000 in principal amount (the "Series 2009 Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 230,000              | 4.125%               | July 31, 2019          | 117464LA3     |
| 2022                 | 240,000                 | 4.375                | July 31, 2019          | 117464LB1     |

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2010**, outstanding obligations maturing on June 1 in each of the years 2021, 2022, 2023 and 2026 aggregating \$6,340,000 in principal amount (the "Series 2010 Redeemed Bonds") (the Series 2009 Redeemed Bonds and the Series 2010 Redeemed Bonds are collectively referred to herein as the "Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 1,320,000            | 4.000%               | July 31, 2019          | 117464LS4     |
| 2022                 | 1,375,000               | 4.000                | July 31, 2019          | 117464LT2     |
| 2023                 | 1,430,000               | 4.000                | July 31, 2019          | 117464LU9     |
| 2026                 | 2,215,000               | 4.000                | July 31, 2019          | 117464LW5     |

\*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.

This Conditional Notice of Redemption and the payment of the principal of and interest on the Redeemed Bonds on the Redemption Date are subject to the issuance and delivery of the District's Unlimited Tax Refunding Bonds Series 2019 (the "Refunding Bonds") on or before the Redemption Date. In the event such Refunding Bonds are not issued on or before the Redemption Date, the conditional redemption of the Redeemed Bonds shall be null and void and of no force and effect, and any Redeemed Bonds delivered for redemption shall be returned to the respective owners thereof. In such case, said Redeemed Bonds shall remain outstanding as though this Conditional Notice of Redemption had not been given.

The Redeemed Bonds shall be redeemed upon presentation at the principal corporate offices of Wells Fargo Bank, N.A., as paying agent/registrar for the Redeemed Bonds, at the addresses set forth below. Interest on the Redeemed Bonds shall cease to accrue from and after the Redemption Date, if the Redeemed Bonds are redeemed as provided in this Conditional Notice of Redemption.

**First Class/Registered/Certified Mail**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9303-121  
6<sup>th</sup> & Marquette Avenue  
Minneapolis, MN 55479

**By Hand**

Wells Fargo Bank, N.A.  
Northstar East Building  
608 2<sup>nd</sup> Ave. So., 12<sup>th</sup> Floor  
Minneapolis, MN

Interest on the Redeemed Bonds 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**

July 31, 2019

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,605,000**

**AS BOND COUNSEL FOR THE 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 30, 2019, authorizing the issuance of the Bonds and the pricing certificate executed by 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 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**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. 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 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 sufficiency report of Robert Thomas CPA, LLC, and on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, 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. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning 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.

**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,

July 31, 2019

Brushy Creek Municipal Utility District  
16318 Great Oaks Drive  
Round Rock, Texas 78681-2506

Raymond James & Associates, Inc.  
5847 San Felipe, Suite 412  
Houston, Texas 77057

**Re: \$6,605,000 Brushy Creek Municipal Utility District Unlimited  
Tax Refunding Bonds, Series 2019**

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 30, 2019, which also approved and authorized the distribution of the Official Statement dated May 30, 2019 relating to the Bonds, (the "Official Statement") and approved and authorized the execution of the Escrow Agreement dated July 31, 2019 (the "Escrow Agreement"), the Pricing Certificate of the Pricing Office dated June 26, 2019 (the "Pricing Certificate") and the Bond Purchase Agreement, dated June 26, 2019 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 "PLAN OF



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FINANCING – Payment of Refunded Bonds,” “THE BONDS” (except for the subcaption “Book-Entry-Only System”), “LEGAL MATTERS” (excluding the information under the subcaption “No-Litigation Certificate”), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings”) contained in the Official Statement and it is our opinion that the information, insofar as it relates to matters of law, is true and correct and fairly summarizes matters of law and provisions of the documents referred to therein.

Based on said examination, it is our opinion 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, cash held by the Paying Agent. In rendering this opinion, we have relied upon the verification report of Robert Thomas CPA, LLP as to the sufficiency of the cash deposited with the Paying Agent for the purpose of paying such Refunded Bonds on the redemption date.

This letter is furnished to the addressees solely for your benefit and no other party is entitled to rely hereon.

Very truly yours,



# MULLER



## LAW GROUP

A PROFESSIONAL LIMITED LIABILITY COMPANY

202 Century Square Boulevard | Sugar Land, TX 77478 | 281.500.6050

July 31, 2019

Raymond James & Associates Inc.  
5847 San Felipe, Suite 4125  
Houston, Texas 77057

Dear Sir or Madam:

We have acted as counsel to you as Underwriter in connection with your purchase from Brushy Creek Municipal Utility District (“Issuer”) of its \$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (“Bonds”) pursuant to a Bond Purchase Agreement dated June 26, 2019 (“Bond Purchase Agreement”) between you and the Issuer. The Bonds are issued pursuant to the Order of the Board of Directors of the Issuer, dated May 30, 2019, and a pricing or approval certificate dated June 26, 2019, authorizing the issuance of the Bonds (collectively, “Bond Resolution”). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In rendering the opinions set forth herein, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render such opinions. Regarding questions of fact material to such opinions, we have relied on the certified proceedings and other certification of public officials and other furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that as of the date hereof and under existing law, the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

In providing the statement of belief set forth in the paragraph immediately below, reference is made to the Preliminary Official Statement, dated May 30, 2019, and the Official Statement, dated June 26, 2019 (collectively, “Official Statement”). As your counsel, we reviewed the Official Statement and certain other documents and have participated in conferences, discussions, or other communications in which the contents of the Official Statement and other matters were discussed. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Official Statement, and we have not undertaken to verify independently any of such factual matters.

Subject to the foregoing, and on the basis of the information we gained in the course of performing the services referred to above, we confirm to you that no facts have come to the attention of the attorneys in our firm rendering legal services in connection with this matter that cause them to believe that the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, we do not assume any responsibility for the accuracy, completeness or fairness

of the statements contained in the Official Statement, nor do we express any belief with respect to any financial and statistical data and forecasts, projections, numbers, estimates, assumptions, and expressions of opinion, information regarding statements regarding compliance with prior continuing disclosure undertakings, information concerning the Bond Insurance Policy and the Bond Insurer, and information concerning The Depository Trust Company and the book-entry system for the Bonds, contained or incorporated by reference in the Official Statement and its Appendices, which we expressly exclude from the scope of this paragraph.

This letter is furnished by us solely for your benefit in your role as Underwriter and may not be relied upon by any other person or entity. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur.

Very truly yours,

*The Muller Law Group, PLLC*



KEN PAXTON  
ATTORNEY GENERAL OF TEXAS

July 26, 2019

THIS IS TO CERTIFY that Brushy Creek Municipal Utility District (the "Issuer") has submitted the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bond, Series 2019 (the "Bond") in the principal amount of \$6,605,000 for approval. The Bond is dated July 1, 2019, numbered T-1, and was authorized by an Order of the Issuer passed on May 30, 2019.

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.

We have not reviewed and do not approve any contract or lease other than as specifically identified herein.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond have 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, 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 ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the Issuer.


Therefore, the Bond is approved.

Brushy Creek Municipal Utility District Unlimited Tax Refunding Bond, Series 2019 -  
\$6,605,000

-Page 2-

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The Comptroller is instructed that he may register the Bond without the cancellation of the underlying obligations being refunded thereby.

  
Attorney General of the State of Texas

No. 66097  
Book No. 2019-C  
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.



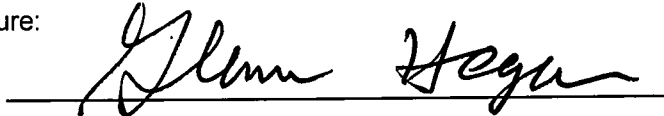
  
KEN PAXTON  
Attorney General of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

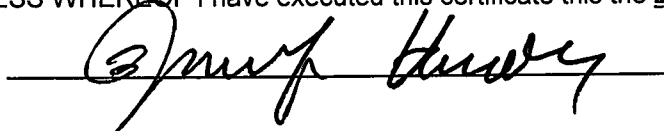
I, Jennifer Hardy,  Bond Clerk  Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 26th day of July 2019, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Brushy Creek Municipal Utility District Unlimited Tax Refunding Bond, Series 2019,

numbered T-1, dated July 1, 2019, and that in signing the certificate of registration I used the following signature:

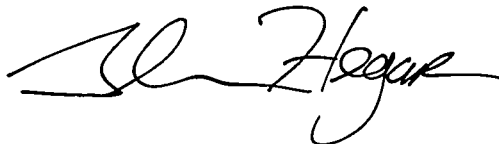


IN WITNESS WHEREOF I have executed this certificate this the 26th day of July 2019.



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 92270.

GIVEN under my hand and seal of office at Austin, Texas, this the 26th day of July 2019.



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 Unlimited Tax Refunding Bond, Series 2019

numbered T-1, of the denomination of \$ 6,605,000, dated July 1, 2019, 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 26th day of July 2019, under Registration Number 92270.

Given under my hand and seal of office, at Austin, Texas, the 26th day of July 2019.

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



Date: July 25, 2019  
To: Attached Distribution  
From: Jan Bartholomew, Robert W. Baird & Co. Inc.  
Re: Closing and Delivery  
\$6,605,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds")  
Brushy Creek Municipal Utility District (the "District")

---

Delivery of the Bonds is scheduled for Wednesday, July 31, 2019. Ms. Carol Polumbo of McCall, Parkhurst & Horton L.L.P., Austin, Texas, bond counsel to the District, will handle all legal matters related to the closing. Instructions for closing and delivery of the Bonds are as follows:

- A. On July 30, 2019, by 3:00 p.m., central time, the District will wire \$60,000.00 from its debt service fund to Wells Fargo Bank, National Association (the "Paying Agent"), as follows:

Wells Fargo Bank, N.A.  
ABA No. 121 000 248  
Account No. [REDACTED]  
Account Name: Paying Agent Clearing Account  
Ref: Brushy Creek MUD Refunding, Series 2019  
Attn: Jim Hood 612-667-1256

- B. On July 31, 2019, by 10:00 a.m., central time, Raymond James & Associates, Inc. (the "Underwriter") will wire \$6,980,508.85 to the Paying Agent, as follows:

Wells Fargo Bank, N.A.  
ABA No. 121 000 248  
Account No. [REDACTED]  
Account Name: Paying Agent Clearing Account  
Ref: Brushy Creek MUD Refunding, Series 2019  
Attn: Jim Hood 612-667-1256

The funds to be wired by the Underwriter to the Paying Agent are calculated as follows:

|                                |                  |
|--------------------------------|------------------|
| Par Amount of the Bonds:       | \$ 6,605,000.00  |
| Less Underwriter's Discount:   | (51,135.28)      |
| Plus Reoffering Premium:       | 408,548.30       |
| <u>Plus Accrued Interest:</u>  | <u>18,095.83</u> |
| Amount of Wire by Underwriter: | \$ 6,980,508.85  |

The total funds to be wired to the Paying Agent are calculated as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Wire from the District:           | \$ 60,000.00        |
| <u>Wire from the Underwriter:</u> | <u>6,980,508.85</u> |
| Total Amount to Paying Agent:     | \$ 7,040,508.85     |

C. Upon receipt of the total amount of \$7,040,508.85, the Paying Agent will apply funds as follows:

1. \$6,858,597.92 will be retained by the Paying Agent to (i) redeem the refunded bonds (\$6,855,597.92); (ii) to pay the fee of Wells Fargo Bank for redemption of the refunded bonds (\$1,000.00); and (iii) to pay the acceptance fee and administration fee of the Paying Agent of the Bonds (\$2,000.00).

Wells Fargo Bank, N.A.  
ABA No. 121 000 248  
Account No. [REDACTED]  
Account Name: Paying Agent Clearing Account  
Ref: Brushy Creek MUD Refunding, Series 2019  
Attn: Jim Hood 612-667-1256

2. \$18,095.83 (representing accrued interest on the Bonds to the date of delivery) will be wired to the District's debt service fund, as follows:

State Street Bank & Trust Company  
ABA No. 011 000 028  
ATTN: TexPool No. [REDACTED]  
Location ID No. 78398  
OBI: [REDACTED]  
Participant Name: Brushy Creek MUD  
Debt Service Fund

3. \$ [REDACTED] will be wired to McCall, Parkhurst & Horton L.L.P. for bond counsel fees and expenses, as follows:

PlainsCapital Bank  
325 N. St. Paul Street, Suite 175, Dallas, Texas 75201  
ABA No. 111 322 994  
Account No. [REDACTED]  
Credit to: McCall, Parkhurst & Horton L.L.P. Operating Account  
Reference No. 3450.033

4. \$68,129.22 will be wired to Robert W. Baird & Co. Incorporated for financial advisory fees and expenses, as follows:

Robert W. Baird & Co. Incorporated  
BMO Harris Bank  
Beneficiary: Robert W. Baird & Co. Incorporated  
ABA No. 071 000 288  
Account No. [REDACTED]  
Reference No. 286995

5. \$15,000.00 will be wired to Standard & Poor's Financial Services LLC for the rating fee, as follows:

Bank of America  
ABA No. 026 009 593  
Account No. [REDACTED]  
Account Name: S&P Global Ratings  
Invoice No. 11373289  
Customer No. 1000107937

6. \$1,915.45 will be wired to digi-Color L.P. for printing and distribution of the Official Statement, as follows:

Allegiance Bank  
ABA No. 113 025 723  
Final Credit to: DIGI-COLOR L.P.  
Account No. [REDACTED]  
Invoice No. 160055-01

7. \$1,050.00 will be wired to Ipreo LLC for the electronic distribution of the Preliminary Official Statement and Official Statement, as follows:

JP Morgan Chase, New York, NY  
Account No. [REDACTED]  
ABA No. 021 000 021  
Beneficiary Name: Ipreo LLC  
Invoice No. 90863665  
Contract No. 500143407

8. \$2,000.00 will be wired to Robert Thomas CPA, LLC for verification services, as follows:

Arvest Bank  
ABA No. 082 900 872  
Account No. [REDACTED]  
Credit the account of Robert Thomas CPA, LLC  
Invoice No. 201964

9. The remaining \$6,670.43 is to be wired to the District's general operating fund to pay any additional costs of issuance, as follows:

State Street Bank & Trust Company  
ABA No. 011 000 028  
ATTN: TexPool No. [REDACTED]  
Location ID No. 78398  
OBI: [REDACTED]  
Participant Name: Brushy Creek MUD  
General Operating Fund

After 30 days, any such funds that remain unexpended are to be wired to the District's debt service fund.

If you have any questions, please contact Jan Bartholomew at 713-230-6121.

**BOND COUNSEL**

McCall, Parkhurst & Horton L.L.P.  
600 Congress Avenue, Suite 1800  
Austin, Texas 78701

Carol Polumbo  
Phone: 512-478-3805  
Email: [cpolumbo@mphlegal.com](mailto:cpolumbo@mphlegal.com)

Linda Sharpe  
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Email: [lsharpe@mphlegal.com](mailto:lsharpe@mphlegal.com)

**UNDERWRITER**

Raymond James & Associates, Inc.  
5956 Sherry Lane, Suite 1900  
Dallas, Texas 75225

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Email: [luke.mattson@raymondjames.com](mailto:luke.mattson@raymondjames.com)

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Email: [Ashley.jones@RaymondJames.com](mailto:Ashley.jones@RaymondJames.com)

Debi Jones  
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Kristin Olivares  
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Buddy Kempf  
Phone: 713-840-3688  
Email: [Buddy.Kempf@RaymondJames.com](mailto:Buddy.Kempf@RaymondJames.com)

**FINANCIAL ADVISOR**

Robert W. Baird & Co. Incorporated  
1331 Lamar, Suite 1360  
Houston, Texas 77010

Jan Bartholomew  
Phone: 713-230-6121  
Email: [jbartholomew@rwbaird.com](mailto:jbartholomew@rwbaird.com)

David Wood  
Phone: 713-230-6130  
Email: [dwood@rwbaird.com](mailto:dwood@rwbaird.com)

**UNDERWRITER'S COUNSEL**

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202 Century Square Blvd.  
Sugar Land, Texas 77478

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Email: [nancy@mullerlawgroup.com](mailto:nancy@mullerlawgroup.com)

Jessica Richardson  
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Email: [jessica@mullerlawgroup.com](mailto:jessica@mullerlawgroup.com)

**GENERAL COUNSEL**

McLean & Howard, L.L.P.  
Barton Oaks Plaza, Building II  
901 S. Mopac Expressway, Suite 225  
Austin, Texas 78746

Tony Corbett  
Phone: 512-328-2008  
Email: [tcorbett@mcleanhowardlaw.com](mailto:tcorbett@mcleanhowardlaw.com)

**PAYING AGENT**

Wells Fargo Corporate Trust Services  
600 S 4th St, 6th Floor  
Minneapolis, Minnesota 55415

Molly Vachuska  
Phone: 612-667-3539  
Email: [maureen.e.vachuska@wellsfargo.com](mailto:maureen.e.vachuska@wellsfargo.com)

Jim Hood  
Phone: 612-667-1256  
Email: [james.j.hood@wellsfargo.com](mailto:james.j.hood@wellsfargo.com)

**ISSUER**

Brushy Creek Municipal Utility District  
16318 Great Oaks Drive  
Round Rock, Texas 78681

Mike Petter  
Phone: 512-255-7871  
Email: [m.petter@bcmud.org](mailto:m.petter@bcmud.org)

**VERIFICATION AGENT**

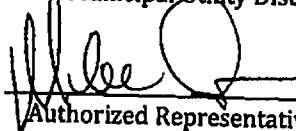
Robert Thomas CPA, LLC – Minneapolis Office  
3300 Plymouth Blvd #46013  
Minneapolis, Minnesota 55446

David LaFlamme  
Phone: 763-442-5017  
Email: [dlaflamme@rthomascpa.com](mailto:dlaflamme@rthomascpa.com)

M. Joseph Smith, CPA  
Phone: 612-601-8995  
Email: [jsmith@rthomascpa.com](mailto:jsmith@rthomascpa.com)

The undersigned acknowledges and approves disbursement of funds as set out above.

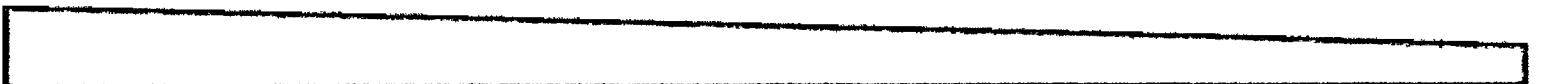
Brushy Creek Municipal Utility District

By:   
Authorized Representative

Name: Mike Petter

Title: Chief Financial Officer

Date: 7-24-19



**RECEIPT FOR PROCEEDS**

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

The undersigned hereby certifies as follows:

- (a) This certificate is executed and delivered with reference to:

\$6,605,000 Brushy Creek Municipal Utility District  
Unlimited Tax Refunding Bonds, Series 2019

- (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 purchasers thereof, namely:

**RAYMOND JAMES & ASSOCIATES, INC.;**

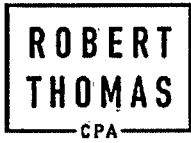
- (d) I hereby acknowledge the transfer of funds made on behalf of the District pursuant to the District's closing memorandum dated July 31 2019.

**EXECUTED AND DELIVERED** this 31st day of July, 2019.

**WELLS FARGO BANK, N.A.**

By: 

Title: Assistant Vice President



**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

Verification Report  
July 31, 2019



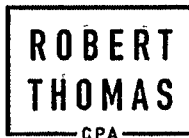
**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

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**Letter**

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|-------------|---|
| Exhibit A   | Schedule of Sources and Uses of Funds   |
| Exhibit B   | Debt Service Fund Cash Flow   |
| Exhibit B-1 | Debt Service to Maturity and Debt Service Requirements<br>for the Refunded 2009 Bonds |
| Exhibit B-2 | Debt Service to Maturity and Debt Service Requirements<br>for the Refunded 2010 Bonds |
| Exhibit C   | Debt Service Payments and Yield on the Bonds  |
| Exhibit C-1 | Original Issue Premium on the Bonds   |
| Appendix I  | Applicable Schedules Provided by Robert W. Baird & Co. Incorporated                   |



**INDEPENDENT ACCOUNTANT'S VERIFICATION REPORT**

July 31, 2019

Brushy Creek Municipal Utility District ("Issuer")  
Williamson County, Texas

Wells Fargo Bank, N.A. ("Refunded Bonds Paying Agent")  
Minneapolis, Minnesota

Robert W. Baird & Co. Incorporated ("Municipal Advisor")  
Houston, Texas

Raymond James & Associates, Inc. ("Underwriter")  
Dallas, Texas

McCall, Parkhurst & Horton L.L.P. ("Bond Counsel")  
Austin, Texas

Texas Attorney General ("Texas AG")  
Austin, Texas

Pursuant to the request of the Municipal Advisor, on behalf of the Issuer, we have performed certain procedures, as discussed below, in connection with the Issuer's proposed issuance of **\$6,605,000 Unlimited Tax Refunding Bonds, Series 2019**, dated July 1, 2019 (the "Bonds").

Proceeds from the Bonds will be used to currently refund a portion of the Issuer's outstanding **Unlimited Tax Refunding Bonds, Series 2009**, dated September 1, 2009 (the "Refunded 2009 Bonds") and **Unlimited Tax Refunding Bonds, Series 2010**, dated August 1, 2010 (the "Refunded 2010 Bonds") (collectively, the "Refunded Bonds") as listed below.

| Issue  | Par Amount Refunded | Maturity Dates   | Call Date     | Call Price | Exhibit |
|--|---------------------|--|---------------|------------|---------|
| <b><i>Unlimited Tax Refunding Bonds, Series 2009</i></b> | \$470,000           | Serial bonds maturing 6/1/2021 and 6/1/2022                                      | July 31, 2019 | 100.00     | B-1     |
| <b><i>Unlimited Tax Refunding Bonds, Series 2010</i></b> | \$6,340,000         | Serial bonds maturing 6/1/2021 through 6/1/2023 and term bonds maturing 6/1/2026 | July 31, 2019 | 100.00     | B-2     |

The procedures, as summarized below, were performed solely to assist the addressees of this report in evaluating the mathematical accuracy of certain schedules prepared by the Municipal Advisor which indicate that:

- there will be sufficient funds available in a debt service account (the "Debt Service Fund"), to be established on July 31, 2019, to pay the payments of principal and interest related to the Refunded Bonds (the "Debt Service Requirements"), assuming (i) the Refunded 2009 Bonds, in the aggregate principal amount of \$470,000 will be called and redeemed on the optional redemption date of July 31, 2019 at 100.00 percent of the principal amount thereof plus accrued interest and (ii) the Refunded 2010 Bonds, in the aggregate principal amount of \$6,340,000 will be called and redeemed on the optional redemption date of July 31, 2019 at 100.00 percent of the principal amount thereof plus accrued interest; and
- the yield on the Bonds is as shown in our report.

The procedures we performed are summarized below:

1. We independently calculated the Debt Service Requirements related to the Refunded Bonds, using information from the Bond Orders and Pricing Certificates for the 2009 Bonds and the 2010 Bonds (the "Prior Bond Documents"), compared the Debt Service Requirements to the Municipal Advisor's schedules, and found the Debt Service Requirements to be in agreement. We assume the Prior Bond Documents to be accurate and have relied solely on the documents named in this paragraph to calculate Debt Service Requirements.
2. Using the results of our independent calculations described in procedure 1 above and assuming the cash deposit to the Debt Service Fund of \$6,855,597.92 on July 31, 2019, we prepared a Debt Service Fund cash flow schedule (attached hereto as Exhibit B). The resulting cash flow schedule indicates that there will be sufficient funds available in the Debt Service Fund to pay the Debt Service Requirements on a timely basis.
3. We compared pertinent terms of the Refunded Bonds (i.e., debt service payment dates, annual maturity amounts, interest rates, and optional and mandatory redemption provisions), as summarized herein, to the information from the Prior Bond Documents; we found the terms to be in agreement.
4. We compared the maturity and interest payment dates, interest rates, principal maturity amounts and issue prices to the public of the Bonds, to the Official Statement and information for the Bonds provided to us by the Municipal Advisor; we found the terms to be in agreement.
5. We independently calculated the yield on the Bonds assuming a settlement date of July 31, 2019. The term "yield," as used herein, means that yield which, when used in computing the present value of all payments of principal and interest on an obligation, compounded semi-annually, using a 30/360-day year basis, produces an amount equal to in the case of Bonds; the issue price on the Bonds.

The results of our yield calculation, which is listed below, was compared to the yield calculation provided by the Municipal Advisor; we found the yield to be in agreement.

|                      | YIELD     | EXHIBIT |
|----------------------|-----------|---------|
| • Yield on the Bonds | 1.869818% | C       |

Based on performing the aforementioned procedures, we have found that those schedules provided by the Municipal Advisor, when compared to those schedules prepared by us (attached hereto as Exhibits), are arithmetically accurate and reflect, based on the assumptions set forth herein, that:

- there will be sufficient funds available in the Debt Service Fund to pay the Debt Service Requirements on a timely basis; and
- the yield on the Bonds is as shown in our report.

This engagement was performed in accordance with consulting service standards established by the American Institute of Certified Public Accountants (the "AICPA"). The sufficiency of these procedures is solely the responsibility of the specified users of the report. We make no representation regarding the sufficiency of the procedures summarized above, either for the purpose for which this report has been requested or for any other purpose.

The results of our independent calculations with respect to the proposed transactions are summarized in the accompanying exhibits. The original computations, along with related characteristics and assumptions contained herein, were provided by the Municipal Advisor on behalf of the Issuer. We relied solely on this information and these assumptions and limited our work to performing those procedures set forth above.

This report is issued solely for the information of, and assistance to, the addressees of this report and is not to be quoted or referred to in any document, except for the Official Statement and the required closing transaction documents. Additionally, this report should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under the terms of our engagement, we have no obligation to update this report because of events or transactions occurring subsequent to the date of this report.



Overland Park, Kansas

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

SCHEDULE OF SOURCES AND USES OF FUNDS

July 31, 2019

SOURCES:

|                                |                |
|--------------------------------|----------------|
| Principal amount of the Bonds  | \$6,605,000.00 |
| Original issue premium         | 408,548.30     |
| Accrued Interest               | 18,095.83      |
| Transfer of debt service funds | 60,000.00      |
|                                | <hr/>          |
|                                | \$7,091,644.13 |
|                                | <hr/> <hr/>    |

USES:

|                                       |                |
|---------------------------------------|----------------|
| Cash deposit to the Debt Service Fund | \$6,855,597.92 |
| Costs of issuance                     | 166,205.00     |
| Underwriter's discount                | 51,135.28      |
| Accrued Interest                      | 18,095.83      |
| Contingency                           | 610.10         |
|                                       | <hr/>          |
|                                       | \$7,091,644.13 |
|                                       | <hr/> <hr/>    |

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

DEBT SERVICE FUND CASH FLOW

| <u>Dates</u>                     | <u>Debt service<br/>payment on<br/>Refunded Bonds<br/>(Exhibits B-1 and B-2)</u> | <u>Cash<br/>balance</u> |
|----------------------------------|--|-------------------------|
| Cash deposit on<br>July 31, 2019 |  | \$6,855,597.92          |
| 07-31-19                         | \$6,855,597.92   | 0.00                    |
|                                  | <u>\$6,855,597.92</u>  |                         |

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

**DEBT SERVICE TO MATURITY AND DEBT SERVICE REQUIREMENTS  
FOR THE REFUNDED 2009 BONDS**

Remaining Scheduled Debt Service  
Payments to Original Maturity Date  
(For Reference Purposes Only)

| Date     | Principal        | Interest<br>rate | Interest           | Accrued           | Debt service<br>payments | Debt Service<br>Requirements |
|----------|------------------|------------------|--------------------|-------------------|--------------------------|------------------------------|
| 07-31-19 |                  |                  |                    | \$3,331.25        |                          | \$473,331.25                 |
| 12-01-19 |                  |                  | \$9,993.75         |                   | \$9,993.75               |                              |
| 06-01-20 |                  |                  | 9,993.75           |                   | 9,993.75                 |                              |
| 12-01-20 |                  |                  | 9,993.75           |                   | 9,993.75                 |                              |
| 06-01-21 | \$230,000        | 4.125%           | 9,993.75           |                   | 239,993.75               |                              |
| 12-01-21 |                  |                  | 5,250.00           |                   | 5,250.00                 |                              |
| 06-01-22 | 240,000          | 4.375%           | 5,250.00           |                   | 245,250.00               |                              |
|          | <u>\$470,000</u> |                  | <u>\$50,475.00</u> | <u>\$3,331.25</u> | <u>\$520,475.00</u>      | <u>\$473,331.25</u>          |

(To Exhibit B)

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

**DEBT SERVICE TO MATURITY AND DEBT SERVICE REQUIREMENTS  
FOR THE REFUNDED 2010 BONDS**

| Date     | Remaining Scheduled Debt Service<br>Payments to Original Maturity Date<br>(For Reference Purposes Only) |                  | Interest              | Accrued            | Debt service<br>payments | Debt Service<br>Requirements |
|----------|---|------------------|-----------------------|--------------------|--------------------------|------------------------------|
|          | Principal   | Interest<br>rate |                       |                    |                          |                              |
| 07-31-19 |   |                  |                       | \$42,266.67        |                          | \$6,382,266.67               |
| 12-01-19 |   |                  | \$126,800.00          |                    | \$126,800.00             |                              |
| 06-01-20 |   |                  | 126,800.00            |                    | 126,800.00               |                              |
| 12-01-20 |   |                  | 126,800.00            |                    | 126,800.00               |                              |
| 06-01-21 | \$1,320,000   | 4.000%           | 126,800.00            |                    | 1,446,800.00             |                              |
| 12-01-21 |   |                  | 100,400.00            |                    | 100,400.00               |                              |
| 06-01-22 | 1,375,000   | 4.000%           | 100,400.00            |                    | 1,475,400.00             |                              |
| 12-01-22 |   |                  | 72,900.00             |                    | 72,900.00                |                              |
| 06-01-23 | 1,430,000   | 4.000%           | 72,900.00             |                    | 1,502,900.00             |                              |
| 12-01-23 |   |                  | 44,300.00             |                    | 44,300.00                |                              |
| 06-01-24 |   |                  | 44,300.00             |                    | 44,300.00                |                              |
| 12-01-24 |   |                  | 44,300.00             |                    | 44,300.00                |                              |
| 06-01-25 | 255,000   | 4.000% (T26)     | 44,300.00             |                    | 299,300.00               |                              |
| 12-01-25 |   |                  | 39,200.00             |                    | 39,200.00                |                              |
| 06-01-26 | 1,960,000   | 4.000% (T26)     | 39,200.00             |                    | 1,999,200.00             |                              |
|          | <u>\$6,340,000</u>  |                  | <u>\$1,109,400.00</u> | <u>\$42,266.67</u> | <u>\$7,449,400.00</u>    | <u>\$6,382,266.67</u>        |

(To Exhibit B)

(T26) Term bond due June 1, 2026.



**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

**DEBT SERVICE PAYMENTS AND YIELD ON THE BONDS**

| Date     | \$6,605,000 issue dated July 1, 2019 |                  |                     | Total debt<br>service | Present value on<br>July 31, 2019<br>using a yield of<br>1.869818% |
|----------|--------------------------------------|------------------|---------------------|-----------------------|--|
|          | Principal                            | Interest<br>rate | Interest            |                       |  |
| 12-01-19 |                                      |                  | \$90,479.17         | \$90,479.17           | \$89,914.94  |
| 06-01-20 |                                      |                  | 108,575.00          | 108,575.00            | 106,898.53   |
| 12-01-20 |                                      |                  | 108,575.00          | 108,575.00            | 105,908.38   |
| 06-01-21 | \$1,535,000                          | 3.000%           | 108,575.00          | 1,643,575.00          | 1,588,358.85   |
| 12-01-21 |                                      |                  | 85,550.00           | 85,550.00             | 81,910.15  |
| 06-01-22 | 1,585,000                            | 3.000%           | 85,550.00           | 1,670,550.00          | 1,584,658.88   |
| 12-01-22 |                                      |                  | 61,775.00           | 61,775.00             | 58,056.07  |
| 06-01-23 | 1,385,000                            | 3.000%           | 61,775.00           | 1,446,775.00          | 1,347,083.50   |
| 12-01-23 |                                      |                  | 41,000.00           | 41,000.00             | 37,821.26  |
| 06-01-24 |                                      |                  | 41,000.00           | 41,000.00             | 37,470.94  |
| 12-01-24 |                                      |                  | 41,000.00           | 41,000.00             | 37,123.87  |
| 06-01-25 | 200,000                              | 3.000%           | 41,000.00           | 241,000.00            | 216,194.67   |
| 12-01-25 |                                      |                  | 38,000.00           | 38,000.00             | 33,773.04  |
| 06-01-26 | 1,900,000                            | 4.000%           | 38,000.00           | 1,938,000.00          | 1,706,471.05   |
|          | <u>\$6,605,000</u>                   |                  | <u>\$950,854.17</u> | <u>\$7,555,854.17</u> | <u>\$7,031,644.13</u>  |

The present value of the future payments is equal to:

|                               |                       |
|-------------------------------|-----------------------|
| Principal amount of the Bonds | \$6,605,000.00        |
| Accrued interest              | 18,095.83             |
| Original issue premium        | 408,548.30            |
|                               | <u>\$7,031,644.13</u> |

The sum of the present values of the debt service payments of the Bonds on July 31, 2019, using a yield of 1.869818%, is equal to the issue price of the Bonds.

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
(WILLIAMSON COUNTY, TEXAS)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

**ORIGINAL ISSUE PREMIUM ON THE BONDS**

| <u>Maturity date</u> | <u>Principal</u>   | <u>Interest rate</u> | <u>Yield</u> | <u>Initial public offering price</u> | <u>Original issue premium</u> |
|----------------------|--------------------|----------------------|--------------|--------------------------------------|-------------------------------|
| 06-01-21             | \$1,535,000        | 3.000%               | 1.650%       | 102.426%                             | \$37,239.10                   |
| 06-01-22             | 1,585,000          | 3.000%               | 1.700%       | 103.579%                             | 56,727.15                     |
| 06-01-23             | 1,385,000          | 3.000%               | 1.750%       | 104.613%                             | 63,890.05                     |
| 06-01-25             | 200,000            | 3.000%               | 1.930%       | 105.874%                             | 11,748.00                     |
| 06-01-26             | 1,900,000          | 4.000%               | 2.020%       | 112.576%                             | 238,944.00                    |
|                      | <u>\$6,605,000</u> |                      |              |                                      | <u>\$408,548.30</u>           |

## **Appendix I**

**Applicable Schedules Provided by  
Robert W. Baird & Co. Incorporated**

## SOURCES AND USES OF FUNDS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

Dated Date 07/01/2019  
Delivery Date 07/31/2019

## Sources:

## Bond Proceeds:

|                  |                     |
|------------------|---------------------|
| Par Amount       | 6,605,000.00        |
| Accrued Interest | 18,095.83           |
| Premium          | 408,548.30          |
|                  | <u>7,031,644.13</u> |

## Other Sources of Funds:

|                      |           |
|----------------------|-----------|
| Debt Service Surplus | 60,000.00 |
|----------------------|-----------|

---

7,091,644.13

---

## Uses:

## Refunding Escrow Deposits:

|              |              |
|--------------|--------------|
| Cash Deposit | 6,855,597.92 |
|--------------|--------------|

## Other Fund Deposits:

|                  |           |
|------------------|-----------|
| Accrued Interest | 18,095.83 |
|------------------|-----------|

## Cost of Issuance:

|                      |                   |
|----------------------|-------------------|
| Bond Counsel         | 66,050.00         |
| Financial Advisor    | 66,050.00         |
| Rating Fee           | 15,000.00         |
| Printing             | 3,500.00          |
| Verification Agent   | 2,000.00          |
| Paying Agent         | 1,000.00          |
| Call Fees            | 1,000.00          |
| Miscellaneous        | 5,000.00          |
| Attorney General Fee | 6,605.00          |
|                      | <u>166,205.00</u> |

## Delivery Date Expenses:

|                        |           |
|------------------------|-----------|
| Underwriter's Discount | 51,135.28 |
|------------------------|-----------|

## Other Uses of Funds:

|                     |        |
|---------------------|--------|
| Additional Proceeds | 610.10 |
|---------------------|--------|

---

7,091,644.13

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ESCROW SUFFICIENCY

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Date       | Escrow Requirement | Net Escrow Receipts | Excess Receipts | Excess Balance |
|------------|--------------------|---------------------|-----------------|----------------|
| 07/31/2019 | 6,855,597.92       | 6,855,597.92        | 0.00            | 0.00           |
|            | 6,855,597.92       | 6,855,597.92        | 0.00            |                |

ESCROW REQUIREMENTS

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Period<br>Ending | Interest  | Principal<br>Redeemed | Total        |
|------------------|-----------|-----------------------|--------------|
| 07/31/2019       | 45,597.92 | 6,810,000.00          | 6,855,597.92 |
|                  | 45,597.92 | 6,810,000.00          | 6,855,597.92 |

SUMMARY OF BONDS REFUNDED

Brushy Creek Municipal Utility District  
U/L Tax Ref Bds Ser 2019  
Verified Final Numbers

| Bond                            | Maturity Date | Interest Rate | Par Amount          | Call Date  | Call Price |
|---------------------------------|---------------|---------------|---------------------|------------|------------|
| U/L Tax Ref Bds Ser 2009, 2009: |               |               |                     |            |            |
| SERIAL                          | 06/01/2021    | 4.125%        | 230,000.00          | 07/31/2019 | 100.000    |
|                                 | 06/01/2022    | 4.375%        | <u>240,000.00</u>   | 07/31/2019 | 100.000    |
|                                 |               |               | 470,000.00          |            |            |
| U/L Tax Ref Bds Ser 2010, 2010: |               |               |                     |            |            |
| SERIAL                          | 06/01/2021    | 4.000%        | 1,320,000.00        | 07/31/2019 | 100.000    |
|                                 | 06/01/2022    | 4.000%        | 1,375,000.00        | 07/31/2019 | 100.000    |
|                                 | 06/01/2023    | 4.000%        | 1,430,000.00        | 07/31/2019 | 100.000    |
| TERM                            | 06/01/2026    | 4.000%        | <u>2,215,000.00</u> | 07/31/2019 | 100.000    |
|                                 |               |               | 6,340,000.00        |            |            |
|                                 |               |               | <u>6,810,000.00</u> |            |            |

BOND DEBT SERVICE

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

Dated Date 07/01/2019  
 Delivery Date 07/31/2019

| Period Ending | Principal    | Coupon | Interest   | Debt Service |
|---------------|--------------|--------|------------|--------------|
| 12/31/2019    |              |        | 90,479.17  | 90,479.17    |
| 12/31/2020    |              |        | 217,150.00 | 217,150.00   |
| 12/31/2021    | 1,535,000.00 | 3.000% | 194,125.00 | 1,729,125.00 |
| 12/31/2022    | 1,585,000.00 | 3.000% | 147,325.00 | 1,732,325.00 |
| 12/31/2023    | 1,385,000.00 | 3.000% | 102,775.00 | 1,487,775.00 |
| 12/31/2024    |              |        | 82,000.00  | 82,000.00    |
| 12/31/2025    | 200,000.00   | 3.000% | 79,000.00  | 279,000.00   |
| 12/31/2026    | 1,900,000.00 | 4.000% | 38,000.00  | 1,938,000.00 |
|               | 6,605,000.00 |        | 950,854.17 | 7,555,854.17 |



**PROOF OF ARBITRAGE YIELD**

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

| Date       | Debt Service        | Present Value<br>to 07/31/2019<br>@ 1.8698175365% |
|------------|---------------------|---|
| 12/01/2019 | 90,479.17           | 89,914.94   |
| 06/01/2020 | 108,575.00          | 106,898.53  |
| 12/01/2020 | 108,575.00          | 105,908.38  |
| 06/01/2021 | 1,643,575.00        | 1,588,358.85                                      |
| 12/01/2021 | 85,550.00           | 81,910.15   |
| 06/01/2022 | 1,670,550.00        | 1,584,658.88                                      |
| 12/01/2022 | 61,775.00           | 58,056.07   |
| 06/01/2023 | 1,446,775.00        | 1,347,083.50                                      |
| 12/01/2023 | 41,000.00           | 37,821.26   |
| 06/01/2024 | 41,000.00           | 37,470.94   |
| 12/01/2024 | 41,000.00           | 37,123.87   |
| 06/01/2025 | 241,000.00          | 216,194.67  |
| 12/01/2025 | 38,000.00           | 33,773.04   |
| 06/01/2026 | 1,938,000.00        | 1,706,471.05                                      |
|            | <b>7,555,854.17</b> | <b>7,031,644.13</b>                               |

Proceeds Summary

|                              |                     |
|------------------------------|---------------------|
| Delivery date                | 07/31/2019          |
| Par Value                    | 6,605,000.00        |
| Accrued interest             | 18,095.83           |
| Premium (Discount)           | 408,548.30          |
| Target for yield calculation | <b>7,031,644.13</b> |

**BOND PRICING**

Brushy Creek Municipal Utility District  
 U/L Tax Ref Bds Ser 2019  
 Verified Final Numbers

| Bond Component | Maturity Date | Amount       | Rate   | Yield  | Price   | Premium (-Discount) | Takedown |
|----------------|---------------|--------------|--------|--------|---------|---------------------|----------|
| Serial Bonds:  |               |              |        |        |         |                     |          |
|                | 06/01/2021    | 1,535,000.00 | 3.000% | 1.650% | 102.426 | 37,239.10           | 5.000    |
|                | 06/01/2022    | 1,585,000.00 | 3.000% | 1.700% | 103.579 | 56,727.15           | 5.000    |
|                | 06/01/2023    | 1,385,000.00 | 3.000% | 1.750% | 104.613 | 63,890.05           | 5.000    |
|                | 06/01/2025    | 200,000.00   | 3.000% | 1.930% | 105.874 | 11,748.00           | 5.000    |
|                | 06/01/2026    | 1,900,000.00 | 4.000% | 2.020% | 112.576 | 238,944.00          | 5.000    |
|                |               | 6,605,000.00 |        |        |         | 408,548.30          |          |

|                        |              |             |  |
|------------------------|--------------|-------------|--|
| Dated Date             | 07/01/2019   |             |  |
| Delivery Date          | 07/31/2019   |             |  |
| First Coupon           | 12/01/2019   |             |  |
| Par Amount             | 6,605,000.00 |             |  |
| Premium                | 408,548.30   |             |  |
| Production             | 7,013,548.30 | 106.185440% |  |
| Underwriter's Discount | -51,135.28   | -0.774190%  |  |
| Purchase Price         | 6,962,413.02 | 105.411249% |  |
| Accrued Interest       | 18,095.83    |             |  |
| Net Proceeds           | 6,980,508.85 |             |  |

August 2, 2019

**VIA UPS 2ND DAY AIR #1Z 564 04W NY 9606 6654**

Internal Revenue Service Center  
1973 North Rulon White Boulevard  
Ogden, Utah 84201-1000

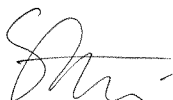
Re: Information Reporting - Tax-Exempt Bonds  
Brushy Creek Municipal Utility District  
Unlimited Tax Refunding Bonds, Series 2019

Ladies and Gentlemen:

Pursuant to the requirements of Section 149(e) of the Internal Revenue Code of 1986, enclosed please find an original of Form 8038-G which is hereby submitted to you for the above-captioned bonds issued July 31, 2019.

Sincerely,

McCALL, PARKHURST & HORTON L.L.P.



Stefano Taverna

ST: vd  
Enclosures  
cc: Ms. Carol D. Polumbo

(Rev. September 2018)

Under Internal Revenue Code section 149(e)

See separate instructions.

OMB No. 1545-0720

Department of the Treasury  
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.  
Go to [www.irs.gov/F8038G](http://www.irs.gov/F8038G) for instructions and the latest information.

|  |  |   |  |
|--|--|---|--|
| <b>Part I Reporting Authority</b>  |  | If Amended Return, check here <input type="checkbox"/>                                  |  |
| 1 Issuer's name<br><b>Brushy Creek Municipal Utility District</b>  |  | 2 Issuer's employer identification number (EIN)<br><b>74-2006801</b>                    |  |
| 3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)<br><b>None</b>  |  | 3b Telephone number of other person shown on 3a<br><b>N/A</b>                           |  |
| 4 Number and street (or P.O. box if mail is not delivered to street address) Room/suite<br><b>16318 Great Oaks Drive</b>   |  | 5 Report number (For IRS Use Only)<br><b>3</b>  |  |
| 6 City, town, or post office, state, and ZIP code<br><b>Round Rock, Texas 78681</b>  |  | 7 Date of issue<br><b>07/31/2019</b>  |  |
| 8 Name of issue<br><b>Unlimited Tax Refunding Bonds, Series 2019</b>   |  | 9 CUSIP number<br><b>117464 SX6</b>   |  |
| 10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)<br><b>Mike Petter, Chief Financial Officer</b> |  | 10b Telephone number of officer or other employee shown on 10a<br><b>(512) 255-7871</b> |  |

**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                       | 7,013,548 |
| 18  | Other. Describe  | 18                       |           |
| 19a | If bonds are TANs or RANs, check only box 19a                      | <input type="checkbox"/> |           |
| 19b | If bonds are BANs, check only box 19b                              | <input type="checkbox"/> |           |
| 20  | If bonds are in the form of a lease or installment sale, check box | <input type="checkbox"/> |           |

**Part III Description of Bonds.** 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 | 06/01/2026              | \$ 7,013,548    | \$ 6,605,000                            | 4.12 years                    | 1.8698 %  |

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

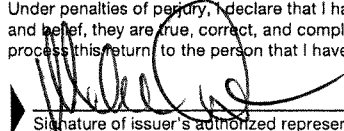
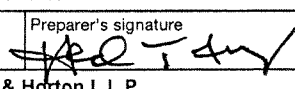
|    |  |    |           |
|----|--|----|-----------|
| 22 | Proceeds used for accrued interest   | 22 | 18,096    |
| 23 | Issue price of entire issue (enter amount from line 21, column (b))                      | 23 | 7,013,548 |
| 24 | Proceeds used for bond issuance costs (including underwriters' discount)                 | 24 | 217,340   |
| 25 | Proceeds used for credit enhancement   | 25 | 0         |
| 26 | Proceeds allocated to reasonably required reserve or replacement fund                    | 26 | 0         |
| 27 | Proceeds used to refund prior tax-exempt bonds. Complete Part V                          | 27 | 6,795,598 |
| 28 | Proceeds used to refund prior taxable bonds. Complete Part V                             | 28 | 0         |
| 29 | Total (add lines 24 through 28)  | 29 | 7,012,938 |
| 30 | Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | 30 | 610       |

**Part V Description of Refunded Bonds.** Complete this part only for refunding bonds.

|    |  |                        |       |
|----|--|------------------------|-------|
| 31 | Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded   | 4.06                   | years |
| 32 | Enter the remaining weighted average maturity of the taxable bonds to be refunded      | N/A                    | years |
| 33 | Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) | 07/31/2019             |       |
| 34 | Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)                          | 09/16/2009; 08/31/2010 |       |

**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 ▶ (MM/DD/YYYY) _____  |     |   |
| 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 bond ▶ (MM/DD/YYYY) _____  |     |   |
| c   | Enter the EIN of the issuer of the master pool bond ▶ _____  |     |   |
| d   | Enter the name of the issuer of the master pool bond ▶ _____   |     |   |
| 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 ▶ (MM/DD/YYYY) _____  |     |   |

|                               |  |   |                                      |   |                   |
|-------------------------------|--|---|--------------------------------------|---|-------------------|
| <b>Signature and Consent</b>  | 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. |   |                                      |   |                   |
|                               |    | August 31, 2019   | Mike Petter, Chief Financial Officer |   |                   |
|                               | Signature of issuer's authorized representative  | Date  | Type or print name and title         |   |                   |
| <b>Paid Preparer Use Only</b> | Print/Type preparer's name<br>Harold T. Flanagan   | Preparer's signature<br> | Date<br>071519                       | Check <input type="checkbox"/> if self-employed | PTIN<br>P01071147 |
|                               | Firm's name ▶ McCall, Parkhurst & Horton L.L.P.  | Firm's EIN ▶ 75-0799392   |                                      | Phone no. 214-754-9200                          |                   |
|                               | Firm's address ▶ 717 N. Harwood, Suite 900, Dallas, TX 75201   |   |                                      |   |                   |

**Information Return for Tax-Exempt Governmental Bonds**

(Rev. September 2018)

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Department of the Treasury  
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.

► Go to [www.irs.gov/F8038G](http://www.irs.gov/F8038G) for instructions and the latest information.

**Part I Reporting Authority**

If Amended Return, check here

|  |            |   |
|--|------------|---|
| 1 Issuer's name<br><b>Brushy Creek Municipal Utility District</b>  |            | 2 Issuer's employer identification number (EIN)<br><b>74-2006801</b>                    |
| 3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)<br><b>None</b>  |            | 3b Telephone number of other person shown on 3a<br><b>N/A</b>                           |
| 4 Number and street (or P.O. box if mail is not delivered to street address)<br><b>16318 Great Oaks Drive</b>  | Room/suite | 5 Report number (For IRS Use Only)<br><b>3</b>  |
| 6 City, town, or post office, state, and ZIP code<br><b>Round Rock, Texas 78681</b>  |            | 7 Date of Issue<br><b>07/31/2019</b>  |
| 8 Name of Issue<br><b>Unlimited Tax Refunding Bonds, Series 2019</b>   |            | 9 CUSIP number<br><b>117464 SX6</b>   |
| 10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)<br><b>Mike Petter, Chief Financial Officer</b> |            | 10b Telephone number of officer or other employee shown on 10a<br><b>(512) 255-7871</b> |

**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 | 7,013,548                |
| 18  | Other. Describe ►  | 18 |                          |
| 19a | If bonds are TANs or RANs, check only box 19a . . . . .                      |    | <input type="checkbox"/> |
| b   | If bonds are BANs, check only box 19b . . . . .                              |    | <input type="checkbox"/> |
| 20  | If bonds are in the form of a lease or installment sale, check box . . . . . |    | <input type="checkbox"/> |

**Part III Description of Bonds. 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 | 06/01/2026              | \$ 7,013,548    | \$ 6,605,000                            | 4.12 years                    | 1.8698 %  |

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

|    |  |    |           |
|----|--|----|-----------|
| 22 | Proceeds used for accrued interest . . . . .   | 22 | 18,096    |
| 23 | Issue price of entire issue (enter amount from line 21, column (b)) . . . . .                      | 23 | 7,013,548 |
| 24 | Proceeds used for bond issuance costs (including underwriters' discount) . . . . .                 | 24 | 217,340   |
| 25 | Proceeds used for credit enhancement . . . . .   | 25 | 0         |
| 26 | Proceeds allocated to reasonably required reserve or replacement fund . . . . .                    | 26 | 0         |
| 27 | Proceeds used to refund prior tax-exempt bonds. Complete Part V . . . . .                          | 27 | 6,795,598 |
| 28 | Proceeds used to refund prior taxable bonds. Complete Part V . . . . .                             | 28 | 0         |
| 29 | Total (add lines 24 through 28) . . . . .  | 29 | 7,012,938 |
| 30 | Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) . . . . . | 30 | 610       |

**Part V Description of Refunded Bonds. Complete this part only for refunding bonds.**

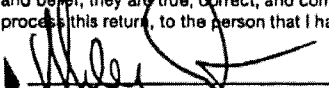
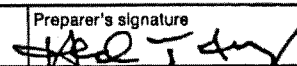
|    |  |                        |       |
|----|--|------------------------|-------|
| 31 | Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded . . . . .   | 4.06                   | years |
| 32 | Enter the remaining weighted average maturity of the taxable bonds to be refunded . . . . .      | N/A                    | years |
| 33 | Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) . . . . . | 07/31/2019             |       |
| 34 | Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)                                  | 09/16/2009; 08/31/2010 |       |

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

**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 ▶ (MM/DD/YYYY) _____  |     |   |
| 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 bond ▶ (MM/DD/YYYY) _____  |     |   |
| c   | Enter the EIN of the issuer of the master pool bond ▶ _____  |     |   |
| d   | Enter the name of the issuer of the master pool bond ▶ _____   |     |   |
| 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 ▶ (MM/DD/YYYY) _____  |     |   |

|   |   |   |                                      |   |
|---|---|---|--------------------------------------|---|
| <b>Signature and Consent</b>                | 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. |   |                                      |   |
|   |    | August 31, 2019   | Mike Petter, Chief Financial Officer |   |
| <b>Paid Preparer Use Only</b>               | Print/Type preparer's name  | Preparer's signature  | Date                                 | Check <input type="checkbox"/> if self-employed |
|   | Harold T. Flanagan  |  | 07/15/19                             | PTIN P01071147                                  |
|   | Firm's name ▶   | Firm's EIN ▶  |                                      |   |
|   | McCall, Parkhurst & Horton L.L.P.   | 75-0799392  |                                      |   |
| Firm's address ▶                            | Phone no.   |   |                                      |   |
| 717 N. Harwood, Suite 900, Dallas, TX 75201 | 214-754-9200  |   |                                      |   |

**Information Return for Tax-Exempt Governmental Bonds**

(Rev. September 2018)

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Department of the Treasury  
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.

► Go to [www.irs.gov/F8038G](http://www.irs.gov/F8038G) for instructions and the latest information.

**Part I Reporting Authority**

If Amended Return, check here

|  |            |   |
|--|------------|---|
| 1 Issuer's name<br><b>Brushy Creek Municipal Utility District</b>  |            | 2 Issuer's employer identification number (EIN)<br><b>74-2006801</b>                    |
| 3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)<br><b>None</b>  |            | 3b Telephone number of other person shown on 3a<br><b>N/A</b>                           |
| 4 Number and street (or P.O. box if mail is not delivered to street address)<br><b>16318 Great Oaks Drive</b>  | Room/suite | 5 Report number (For IRS Use Only)<br><b>3</b>  |
| 6 City, town, or post office, state, and ZIP code<br><b>Round Rock, Texas 78681</b>  |            | 7 Date of issue<br><b>07/31/2019</b>  |
| 8 Name of issue<br><b>Unlimited Tax Refunding Bonds, Series 2019</b>   |            | 9 CUSIP number<br><b>117464 SX6</b>   |
| 10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)<br><b>Mike Petter, Chief Financial Officer</b> |            | 10b Telephone number of officer or other employee shown on 10a<br><b>(512) 255-7871</b> |

**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 | 7,013,548                |
| 18  | Other. Describe ►  | 18 |                          |
| 19a | If bonds are TANs or RANs, check only box 19a                      |    | <input type="checkbox"/> |
| b   | If bonds are BANs, check only box 19b                              |    | <input type="checkbox"/> |
| 20  | If bonds are in the form of a lease or installment sale, check box |    | <input type="checkbox"/> |

**Part III Description of Bonds. 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 | 06/01/2026              | \$ 7,013,548    | \$ 6,605,000                            | 4.12 years                    | 1.8698 %  |

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

|    |  |    |           |
|----|--|----|-----------|
| 22 | Proceeds used for accrued interest   | 22 | 18,096    |
| 23 | Issue price of entire issue (enter amount from line 21, column (b))                      | 23 | 7,013,548 |
| 24 | Proceeds used for bond issuance costs (including underwriters' discount)                 | 24 | 217,340   |
| 25 | Proceeds used for credit enhancement   | 25 | 0         |
| 26 | Proceeds allocated to reasonably required reserve or replacement fund                    | 26 | 0         |
| 27 | Proceeds used to refund prior tax-exempt bonds. Complete Part V                          | 27 | 6,795,598 |
| 28 | Proceeds used to refund prior taxable bonds. Complete Part V                             | 28 | 0         |
| 29 | Total (add lines 24 through 28)  | 29 | 7,012,938 |
| 30 | Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | 30 | 610       |

**Part V Description of Refunded Bonds. Complete this part only for refunding bonds.**

|    |  |                        |       |
|----|--|------------------------|-------|
| 31 | Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded   | 4.06                   | years |
| 32 | Enter the remaining weighted average maturity of the taxable bonds to be refunded      | N/A                    | years |
| 33 | Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) | 07/31/2019             |       |
| 34 | Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)                          | 09/16/2009; 08/31/2010 |       |

For Paperwork Reduction Act Notice, see separate instructions.

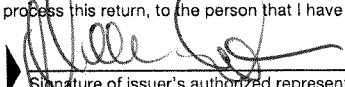
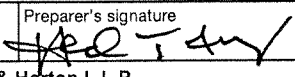
Cat. No. 63773S

Form **8038-G** (Rev. 9-2018)



**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 ▶ (MM/DD/YYYY) _____  |     |   |
| 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 bond ▶ (MM/DD/YYYY) _____  |     |   |
| c   | Enter the EIN of the issuer of the master pool bond ▶ _____  |     |   |
| d   | Enter the name of the issuer of the master pool bond ▶ _____   |     |   |
| 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 ▶ (MM/DD/YYYY) _____  |     |   |

|   |   |   |                                      |   |
|---|---|---|--------------------------------------|---|
| <b>Signature and Consent</b>                | 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. |   |                                      |   |
|   |    | August 31, 2019   | Mike Petter, Chief Financial Officer |   |
| <b>Paid Preparer Use Only</b>               | Print type preparer's name  | Preparer's signature  | Date                                 | Check <input type="checkbox"/> if self-employed |
|   | Harold T. Flanagan  |  | 07/31/19                             | PTIN P01071147                                  |
|   | Firm's name ▶   | Firm's EIN ▶  |                                      |   |
|   | McCall, Parkhurst & Horton L.L.P.   | 75-0799392  |                                      |   |
| Firm's address ▶                            | Phone no.   |   |                                      |   |
| 717 N. Harwood, Suite 900, Dallas, TX 75201 | 214-754-9200  |   |                                      |   |

UNITED STATES OF AMERICA  
STATE OF TEXAS

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BOND  
SERIES 2019

NO. R-1

PRINCIPAL  
AMOUNT  
\$1,535,000

| <u>INTEREST RATE</u> | <u>DATE OF BONDS</u> | <u>MATURITY DATE</u> | <u>CUSIP NO.</u> |
|----------------------|----------------------|----------------------|------------------|
| 3.000%               | July 1, 2019         | June 1, 2021         | 117464ST5        |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION FIVE HUNDRED THIRTY-FIVE  
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 July 1, 2019 on December 1, 2019 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, N.A., which is the "Registrar" or "Paying Agent/Registrar" for this Bond, at its designated office for payment in Minneapolis, Minnesota. 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 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 July 1, 2019 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$6,605,000 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.

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

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

**IN THE EVENT** any Registrar for the Bonds is changed by the District, resigns, or otherwise ceases to act as such, the District has covenanted in the Bond Order that it promptly will

appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Bonds.

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

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

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

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

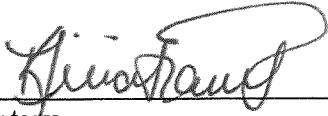
**TO THE EXTENT** permitted by and in the manner provided in the Bond Order, the terms and provisions of the Bond Order and the rights of the Registered Owners of the Bonds may be modified with, in certain circumstances, the consent of the Registered Owners of a majority in aggregate principal amount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

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

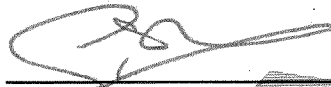
**IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED** that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular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

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.

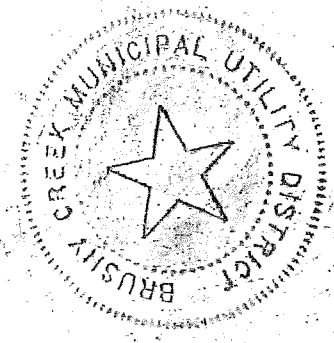
**BRUSHY CREEK MUNICIPAL  
UTILITY DISTRICT**



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, N.A.,**  
Minneapolis, Minnesota  
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

February 8, 2016

Brushy Creek Municipal Utility District  
16318 Great Oaks Drive  
Round Rock, TX 78681  
Attention: Ms. Rebecca Tullos, President, Board of Directors

Re: ***Brushy Creek Municipal Utility District Sendero Springs & Cornerstone Defined Area,  
Texas, General Obligation Bonds***

Dear Ms. Tullos:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised the underlying rating (SPUR) from "BBB+" to "A-" and changed the outlook to stable from positive. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on [standardandpoors.com](http://standardandpoors.com). Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to [pubfin\\_statelocalgovt@standardandpoors.com](mailto:pubfin_statelocalgovt@standardandpoors.com). If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

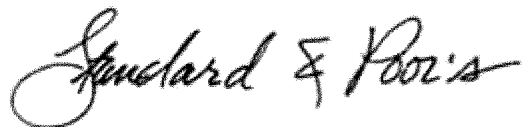
Please send hard copies to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

A handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style.

Standard & Poor's Ratings Services

pp  
enclosure



## **Standard & Poor's Ratings Services Terms and Conditions Applicable To Public Finance Credit Ratings**

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ORDER AUTHORIZING THE ISSUANCE OF BRUSHY CREEK MUNICIPAL  
UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS; LEVYING  
AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN  
OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A BOND  
PURCHASE 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 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 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**

**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 District is authorized by the Act to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvement facilities, plants, equipment, and appliances needed to accomplish the purposes for which the District was created, including works, improvements, facilities, plants, equipment, and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer system, solid waste and disposal system; and

**WHEREAS**, at an election held on November 6, 2001 (the "Bond Election") the voters of the District authorized the issuance of bonds in one or more issues or series in the maximum amount of \$39,100,000 maturing serially or otherwise in such installments as are fixed by the Board of Directors of the District over a period or periods not exceeding 40 years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, on any issue or series shall not exceed the maximum legal limit in effect at the time of the issuance of each such issues or series of said bonds, all as may be determined by the Board of Directors of the District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending inside and outside its boundaries a water supply project including, but not limited to, all additions to such project and all works, improvements, facilities, land, plants, equipment, appliances, interests in property and contract rights needed therefor and administrative facilities needed in connection therewith, and to refund any bonds or other evidences of indebtedness issued by the District in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal and interest on such bonds by the levy and collection of a sufficient tax upon all

taxable property within the District, all as authorized by the constitution and laws of the State of Texas; and

**WHEREAS**, the District currently has outstanding the following ad valorem tax bonds: \$1,275,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1996, \$2,280,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1997, \$8,115,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001, \$17,195,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2003, \$3,185,000 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004, \$9,200,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2005 and \$7,795,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding bonds, Series 2007 (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 Treasurer 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; and

**THEREFORE, BE IT RESOLVED 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.** When used in this 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, 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.

"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.

"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 1996 Bonds, dated October 1, 1996, issued in the original principal amount of \$2,675,000; the Series 1997 Bonds, dated November 1, 1997, issued in the original principal amount of \$3,080,000; the Series 2001 Bonds, dated October 1, 2001, issued in the original principal amount of \$10,685,000; the Series 2003 Bonds dated December 1, 2003, issued in the original principal amount of \$26,870,000; the Series 2004 Bonds dated August 1, 2004, issued in the original principal amount of \$3,285,000; the Series 2005 dated October 1, 2005, issued in the original principal amount of \$9,500,000 and the Series 2007 dated March 1, 2007, issued in the original principal amount of \$7,840,000.

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

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

"Pricing Officer" means the General Manager of the District or in his absence the Treasurer 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 of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any 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.

**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 UNLIMITED TAX REFUNDING BOND, SERIES 2009", and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$11,000,000 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. No Series of Bonds shall be issued under this Bond Order after the close of business on January 23, 2010.

**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, 2026, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Order and shall be filed in the minutes of the Board as a part of this Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Order and carrying out the other procedures specified in this Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Compound Interest Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 95% 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. The Bonds shall be sold by negotiated sale to the Underwriter pursuant to a bond purchase agreement at such price, with and subject to such terms, as determined by the Pricing Certificate. The Pricing Officer shall designate the senior managing underwriter for each Series of Bonds and such additional investment banking firms as he or she deems appropriate to assure that the Bonds are sold on the most advantageous terms. The Pricing Officer may not execute a Pricing Certificate unless the minimum required savings as described in this subsection is achieved.

(c) 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.**      **RESERVED.**

**SECTION 3.04.**      **PAYMENT OF PRINCIPAL AND INTEREST.** The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the office for payment of the Registrar. The interest on each Bond shall be payable on as set forth in the Pricing Certificate by check or draft payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or

earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

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

**SECTION 3.05. SUCCESSOR REGISTRARS.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 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 3.06. SPECIAL RECORD DATE.** If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

**SECTION 3.07. REGISTERED OWNERS.** The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

**SECTION 3.08. EXECUTION OF BONDS.** The Bonds shall be signed on behalf of the District by the President or Vice-President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose

manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

**SECTION 3.09. AUTHENTICATION.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

## **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 Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

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

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

(d) 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  
UNLIMITED TAX REFUNDING BOND  
SERIES 2009

[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:

\_\_\_\_\_

\* To be completed as determined in the Pricing Certificate.



**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 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 Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

**NO. PC-**

**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

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\*To be completed as determined in the Pricing Certificate.

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 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

\* To be completed as determined in the Pricing Certificate.

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

fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). The Premium Compound Interest Bonds are not subject to redemption prior to maturity.

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

**Bonds Maturing \_\_\_\_\_, 20\_\_**

| <b>Redemption Date</b> | <b>Principal Amount</b> |
|------------------------|-------------------------|
| _____, 20__            | \$                      |
| _____, 20__†           | †                       |

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†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

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\*Use of Term Bonds, if any, to be determined by the Pricing Officer

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 District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a City dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

**THE OBLIGATION** to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly,

indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

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

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

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

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

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

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

**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</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> | <u>Principal</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> |
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|

(Information from Pricing Certificate to be inserted)

\* To be completed as determined in the Pricing Certificate.



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 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><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> | <u>Principal</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> |
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|

(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 convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal

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\*To be completed as determined in the Pricing Certificate.

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 District.

**SECTION 7.02.**      **LEVY OF TAX.** (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property in the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with 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 District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the District.
- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
  - (i) the amount which should be levied for maintenance and operation purposes;
  - (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 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 granted by the District under this Order, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of ad valorem taxes granted by the District under this Order is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

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

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

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

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

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

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

## ARTICLE EIGHT

### FLOW OF FUNDS AND INVESTMENTS

#### SECTION 8.01. 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; and
- (ii) Debt Service Fund for the Bonds.

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.

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

## **ARTICLE NINE**

### **APPLICATION OF FUNDS**

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

**SECTION 9.02.**      **ACCRUED INTEREST.** Moneys received from the Underwriter 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.

## 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 expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the President or Treasurer of the Board of

Directors to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(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 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 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 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 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 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 Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this 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 trustees of the City or the City Council.

(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 Order, or because of any Event of Default or alleged Event of Default under this 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 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 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 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**

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

**SECTION 15.01. SALE OF BONDS.** The Bonds shall be sold and delivered, pursuant to a bond purchase agreement substantially in the form previously approved by the Board in connection with Refunding Bonds at a price and under the terms set forth in the Pricing Certificate. The Pricing Officer is authorized to approve such changes to the bond purchase agreement as necessary in connection with the sale of the Bonds including Sections 15.03 and 19.01.

**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.** 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 Underwriter in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Paying Agent/Registrar Agreement by and between the District and Well Fargo, N.A. ("Paying Agent Agreement") in substantially the form and substance attached hereto as Exhibit "A" is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement as necessary and the Secretary or Assistant Secretary is authorized and directed to attest such agreement.

**SECTION 15.04. REFUNDING OF REFUNDED BONDS.** That concurrently with the delivery of the Bonds, the Pricing Officer shall cause to be deposited with the paying agent/registrar for the Refunded Bonds an amount from the proceeds of the sale of the Bonds sufficient, together with other legally available funds of the District, to provide for the refunding and defeasance of the Refunded Bonds. The Pricing Officer is further authorized and directed to apply and there is hereby appropriated such moneys of the District as are necessary to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the paying agent/registrar for the Refunded Bonds the Notices of Redemption with respect to the Refunded Bonds in substantially the form set forth in Exhibit "B" hereto with such changes and additions as necessary to conform to the Pricing Certificate.

## **ARTICLE SIXTEEN**

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

**SECTION 16.01. OPEN MEETING.** The Board of Directors officially finds, determines, and declares that this Bond Order was reviewed, carefully considered, and adopted at a meeting of the Board, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted 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 all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and

Secretary of the Board of Directors of the District, the District's Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Order or to any of the instruments authorized and approved by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance 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, 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 as determined by the Pricing Officer at the time the Bonds are sold. The Pricing Certificate shall specify such financial information and operating data. 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 for the applicable fiscal year to the MSRB, and audited financial statements when such become available.

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

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

(b) Material Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by 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 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 paragraph (a) of this section 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 13.01 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 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 consents to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the District so amends the provisions of this section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

**EXHIBIT "A"**

**PAYING AGENT/REGISTRAR AGREEMENT**

**EXHIBIT "B"**

**FORM OF NOTICE OF DEFEASANCE/REDEMPTION**

**Brushy Creek Municipal Utility District**

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 COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES \_\_\_\_\_\***, all outstanding obligations maturing on June 1 in each of the years \_\_\_\_\_\* through \_\_\_\_\_\* in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP**</u> |
|----------------------|-------------------------|----------------------|------------------------|----------------|
| _____*               | _____*                  | _____*               | _____*                 | _____          |

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/Registered/Certified Mail**      **By Overnight or Courier:**      **In person:**

\_\_\_\_\_

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 28% 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**

\_\_\_\_\_  
\*To be completed as determined in the Pricing Certificate.

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

## **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.





## PRICING CERTIFICATE

I, the undersigned President of the Board of Directors of Brushy Creek Municipal Utility District (the "District"), acting pursuant to the authority granted to me by the order adopted by the Board of Directors of the District on July 29, 2009 (the "Bond Order") relating to the issuance of the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 (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 RBC Capital Markets pursuant to the terms of the Bond Purchase Agreement dated August 12, 2009, between the District and the Underwriter and attached hereto as Exhibit "A", for cash at a price of \$8,263,777.60 (being the par amount of the Bonds less an underwriting discount of \$159,500 plus a net premium of \$448,277.60), plus accrued interest from the date of the Bonds to the date of delivery, according to the following terms:

A. The aggregate original principal amount of the Bonds shall be \$7,975,000.

B. The Bonds will be issued as serial Current Interest Bonds (the "Bonds") dated September 1, 2009 and shall be numbered from R-1 upwards (except that the Initial Bond shall be numbered T-1). The Bonds shall mature and bear interest from their dated date as follows:

| <u>Principal Amount</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> |
|-------------------------|-------------------------------|----------------------|-------------------------|-------------------------------|----------------------|
| \$ 15,000               | 2010                          | 3.000%               | \$195,000               | 2018                          | 4.500%               |
| 515,000                 | 2011                          | 3.000                | 210,000                 | 2019                          | 4.500                |
| 500,000                 | 2012                          | 3.000                | 215,000                 | 2020                          | 4.000                |
| 1,460,000               | 2013                          | 4.500                | 230,000                 | 2021                          | 4.125                |
| 1,530,000               | 2014                          | 4.500                | 240,000                 | 2022                          | 4.375                |
| 1,315,000               | 2015                          | 4.500                | 245,000                 | 2023                          | 4.500                |
| 505,000                 | 2016                          | 4.500                | 265,000                 | 2024                          | 4.625                |
| 535,000                 | 2017                          | 4.500                |                         |                               |                      |

C. Interest on the Bonds shall be payable June 1 and December 1 of each year, commencing December 1, 2009. 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 scheduled to mature on and after June 1, 2019, 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, 2018 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 Cede & Co.

3. The Bonds are in amounts sufficient together with certain other lawfully available funds of the District to refund the Refunded Bonds set forth in "Exhibit B" hereto and to pay the costs of issuing the Bonds. The Refunded Bonds shall be subject to redemption as set forth in "Exhibit C".

4. The issuance of the Bonds is in the best interest of the District and produces a net present value debt service savings of \$356,647.65 (4.48395173% of the Refunded Bonds), net of any District contribution to the refunding, and a gross debt service savings of \$480,999.50.

5. The price to be paid by the Underwriter for the Bonds is not less than 95% of the aggregate original principal amount thereof plus accrued interest to the date of delivery of the Bonds. 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.

-----

WITNESS MY HAND this 12th day of August, 2009.

**BRUSHY CREEK MUNICIPAL UTILITY  
DISTRICT**

By: Tom Clark  
Name: Tom Clark  
Title: General Manager

**EXHIBIT A**

**Bond Purchase Agreement**

**EXHIBIT B**

**Refunded Bonds**

Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1996, dated October 1, 1996 as described below:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2011         | \$250,000               | 5.500%               |
| June 1, 2012         | 250,000                 | 5.500                |
| June 1, 2013         | 275,000                 | 5.500                |
| June 1, 2014         | 275,000                 | 5.500                |

aggregating \$1,050,000 in principal amount.

\* \* \*

Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Bonds, Series 1997, dated November 1, 1997 as described below:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2011         | \$250,000               | 4.875%               |
| June 1, 2012         | 250,000                 | 4.875                |
| June 1, 2013         | 275,000                 | 4.250                |
| June 1, 2014         | 300,000                 | 4.250                |
| June 1, 2017         | 975,000                 | 4.250                |

aggregating \$2,050,000 in principal amount.

Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue and Refunding Bonds, Series 2001, dated October 1, 2001 as described below:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2013         | \$ 915,000              | 4.400%               |
| June 1, 2014         | 960,000                 | 4.500                |
| June 1, 2015         | 1,025,000               | 5.000                |
| June 1, 2016         | 190,000                 | 5.000                |
| June 1, 2017         | 200,000                 | 5.000                |
| June 1, 2018         | 210,000                 | 5.000                |

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2021         | 710,000                 | 5.000%               |
| June 1, 2022         | 265,000                 | 5.000                |
| June 1, 2026         | 570,000*                | 5.125                |

\*Partial refunding of the Term Bond maturing June 1, 2026. Following this refunding the Term Bond dated June 1, 2026 will have \$635,000 outstanding that is subject to mandatory redemption as follows:

| <u>Mandatory Redemption Date</u> | <u>Principal Amount Subject to Mandatory Redemption</u> |
|----------------------------------|---|
| June 1, 2025                     | \$310,000   |
| June 1, 2026                     | 325,000**   |

\*\*Final Maturity

aggregating \$5,045,000 in principal amount.

**EXHIBIT C**

**NOTICES OF DEFEASANCE/REDEMPTION**

**Brushy Creek Municipal Utility District**

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 COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 1996**, all outstanding obligations maturing on June 1 in each of the years 2011 through 2014, aggregating \$1,050,000 in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| June 1, 2011         | \$ 250,000              | 5.500%               | September 16, 2009     | 117464BW6     |
| June 1, 2012         | 250,000                 | 5.500                | September 16, 2009     | 117464BX4     |
| June 1, 2013         | 275,000                 | 5.500                | September 16, 2009     | 117464BY2     |
| June 1, 2014         | 275,000                 | 5.500                | September 16, 2009     | 117464BZ9     |

Due provision for the payment of the above-described obligations has been made with The Bank of New York Mellon, National Association (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

**First Class/Registered/Certified Mail**

The Bank of New York Trust Company  
Institutional Trust Services  
P.O. Box 2320  
Dallas, Texas 75221-2320

**By Overnight or Courier**

The Bank of New York Trust Company  
Institutional Trust Services  
2001 Bryan Street, 9<sup>th</sup> Floor  
Dallas, Texas 75201

**By Hand**

The Bank of New York Trust Company  
GIS Unit Trust Window  
4 New York Plaza, 1st Floor  
New York, NY 10004

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 28% 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.

\*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**



**Brushy Creek Municipal Utility District**

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 UNLIMITED TAX BONDS, SERIES 1997**, all outstanding obligations maturing on June 1 in each of the years 2011 through 2014, and 2017, respectively, aggregating in principal amount \$2,050,000.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| June 1, 2011         | \$ 250,000              | 4.875%               | September 16, 2009     | 117464CR6     |
| June 1, 2012         | 250,000                 | 4.875                | September 16, 2009     | 117464CS4     |
| June 1, 2013         | 275,000                 | 4.250                | September 16, 2009     | 117464CT2     |
| June 1, 2014         | 300,000                 | 4.250                | September 16, 2009     | 117464CU9     |
| June 1, 2017         | 975,000                 | 4.250                | September 16, 2009     | 117464CX3     |

Due provision for the payment of the above-described obligations has been made with The Bank of New York Mellon, National Association (the "Bank"), the paying agent for said obligations, and said obligations shall be presented for payment either in person or by mail, at the following address:

**First Class/Registered/Certified Mail**

The Bank of New York Trust Company  
Institutional Trust Services  
P.O. Box 2320  
Dallas, Texas 75221-2320

**By Overnight or Courier**

The Bank of New York Trust Company  
Institutional Trust Services  
2001 Bryan Street, 9<sup>th</sup> Floor  
Dallas, Texas 75201

**By Hand**

The Bank of New York Trust Company  
GIS Unit Trust Window  
4 New York Plaza, 1st Floor  
New York, NY 10004

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 28% 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.

\*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**

## Brushy Creek Municipal Utility District

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 COMBINATION UNLIMITED TAX AND REVENUE AND REFUNDING BONDS, SERIES 2001**, all outstanding obligations maturing on June 1 in each of the years 2013 through 2018, 2021, 2022 and a portion of the term bond maturing in 2026, aggregating \$5,045,000 in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| June 1, 2013         | \$ 915,000              | 4.400%               | September 16, 2009     | 117464DR5     |
| June 1, 2014         | 960,000                 | 4.500                | September 16, 2009     | 117464DS3     |
| June 1, 2015         | 1,025,000               | 5.000                | September 16, 2009     | 117464DT1     |
| June 1, 2016         | 190,000                 | 5.000                | September 16, 2009     | 117464DU8     |
| June 1, 2017         | 200,000                 | 5.000                | September 16, 2009     | 117464DV6     |
| June 1, 2018         | 210,000                 | 5.000                | September 16, 2009     | 117464DW4     |
| June 1, 2021         | 710,000                 | 5.000                | September 16, 2009     | 117464DZ7     |
| June 1, 2022         | 265,000                 | 5.000                | September 16, 2009     | 117464DY0     |
| June 1, 2026         | 570,000**               | 5.125                | September 16, 2009     | 117464EA1     |

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/Registered/Certified Mail**

**Wells Fargo Bank, N.A.**  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier:**

**Wells Fargo Bank, N.A.**  
Corporate Trust Operations  
N9303-121  
6th & Marquette Avenue  
Minneapolis, MN 55479

**In person:**

**Wells Fargo Bank, N.A.**  
Northstar East Building  
608 2nd Ave. So., 12th Fl.  
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 28% 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.

\*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.

\*\*Partial redemption of the term bond maturing on June 1, 2026. Following this redemption there will be \$635,000 in principal amount outstanding of the term bond, \$310,000 of which is subject to mandatory redemption on June 1, 2025 and \$325,000 is subject to mandatory redemption on June 1, 2026.

**Brushy Creek Municipal Utility District**



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ORDER AUTHORIZING THE ISSUANCE OF BRUSHY CREEK MUNICIPAL  
UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS; LEVYING  
AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN  
OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A BOND  
PURCHASE 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 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 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**

**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 District is authorized by the Act to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvement facilities, plants, equipment, and appliances needed to accomplish the purposes for which the District was created, including works, improvements, facilities, plants, equipment, and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer system, solid waste and disposal system; and

**WHEREAS**, at an election held on November 6, 2001 (the "Bond Election") the voters of the District authorized the issuance of bonds in one or more issues or series in the maximum amount of \$39,100,000 maturing serially or otherwise in such installments as are fixed by the Board of Directors of the District over a period or periods not exceeding 40 years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the net effective interest rate, on any issue or series shall not exceed the maximum legal limit in effect at the time of the issuance of each such issues or series of said bonds, all as may be determined by the Board of Directors of the District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending inside and outside its boundaries a water supply project including, but not limited to, all additions to such project and all works, improvements, facilities, land, plants, equipment, appliances, interests in property and contract rights needed therefor and administrative facilities needed in connection therewith, and to refund any bonds or other evidences of indebtedness issued by the District in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District and to provide for the payment of principal and interest on such bonds by the levy and collection of a sufficient tax upon all

taxable property within the District, all as authorized by the constitution and laws of the State of Texas; and

**WHEREAS**, the District currently has outstanding the following ad valorem tax bonds: \$1,575,000 Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001, \$16,395,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2003, \$3,080,000 Brushy Creek Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004, \$9,100,000 Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2005, \$7,725,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2007 and \$7,960,000 Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 (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 Treasurer 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; and

**THEREFORE, BE IT RESOLVED 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.** When used in this 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.

"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.

"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 2001 Bonds, dated October 1, 2001, issued in the original principal amount of \$13,250,000; the Series 2003 Bonds dated December 1, 2003, issued in the original principal amount of \$27,500,000; the Series 2004 Bonds dated August 1, 2004, issued in the original principal amount of \$3,285,000; the Series 2005 dated October 1, 2005, issued in the original principal amount of \$9,500,000, the Series 2007 dated March 1, 2007, issued in the original principal amount of \$7,840,000 and the Series 2009 dated September 1, 2009, issued in the original principal amount of \$7,975,000.

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

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

"Pricing Officer" means the General Manager of the District or in his absence the Treasurer 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 of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, together with any 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.

**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 UNLIMITED TAX REFUNDING BOND, SERIES 2010", and the Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount not to exceed \$20,000,000 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. No Bonds shall be issued under this Bond Order after the close of business on January 8, 2011.

**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, 2027, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Order and shall be filed in the minutes of the Board as a part of this Order.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Order and carrying out the other procedures specified in this Order, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Compound Interest Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate

original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate, or yield in the case of Premium Compound Interest Bonds, greater than the maximum authorized by law, and (iii) the refunding must produce a 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. The Bonds shall be sold by negotiated sale to the Underwriter pursuant to a bond purchase agreement at such price, with and subject to such terms, as determined by the Pricing Certificate. The Pricing Officer shall designate the senior managing underwriter for each Series of Bonds and such additional investment banking firms as he or she deems appropriate to assure that the Bonds are sold on the most advantageous terms. The Pricing Officer may not execute a Pricing Certificate unless the minimum required savings as described in this subsection is achieved.

(c) 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. RESERVED.**

**SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST.** The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the office for payment of the Registrar. The interest on each Bond shall be payable on as set forth in the Pricing Certificate by check or draft payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a



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

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

**SECTION 3.05. SUCCESSOR REGISTRARS.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 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 3.06. SPECIAL RECORD DATE.** If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

**SECTION 3.07. REGISTERED OWNERS.** The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

**SECTION 3.08. EXECUTION OF BONDS.** The Bonds shall be signed on behalf of the District by the President or Vice-President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of

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

**SECTION 3.09. AUTHENTICATION.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Bond Order, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Bond Order, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

## **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 Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the registered owner at the close of business on the Record Date the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

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

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

(d) 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  
UNLIMITED TAX REFUNDING BOND  
SERIES 2010**

**[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:**

\_\_\_\_\_

\* To be completed as determined in the Pricing Certificate.

**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 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 Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month next preceding each such date whether or not a business day (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

**NO. PC-**

**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

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\*To be completed as determined in the Pricing Certificate.



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 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

\* To be completed as determined in the Pricing Certificate.

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

fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Current Interest Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). The Premium Compound Interest Bonds are not subject to redemption prior to maturity.

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

**Bonds Maturing \_\_\_\_\_, 20\_\_**

| <b>Redemption Date</b> | <b>Principal Amount</b> |
|------------------------|-------------------------|
| _____, 20__            | \$                      |
| _____, 20__†           | †                       |

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†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

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\*Use of Term Bonds, if any, to be determined by the Pricing Officer

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 District. The Bond Order provides that the District reserves the right to consolidate with one or more conservation and reclamation districts, to consolidate its waterworks and sewer systems with the systems of such districts, and to secure the Bonds and any other bonds of the District or such districts by a pledge of the net revenues of the consolidated system. The Bond Order further provides that the pledge of taxes, to the payment of the Bonds shall terminate at such time, if ever, as (i) money and/or defeasance obligations in an amount sufficient to defease the Bonds is deposited with or made available to the Registrar in accordance with the Bond Order or (ii) a City dissolves the District, and assumes the obligations of the District pursuant to existing Texas law.

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

**THE OBLIGATION** to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly,

indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

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

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

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

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

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

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

**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</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> | <u>Principal</u><br><u>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> |
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|--------------------------------|

(Information from Pricing Certificate to be inserted)

\* To be completed as determined in the Pricing Certificate.

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 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<br/>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> | <u>Principal<br/>Amount</u> | <u>Maturity Date</u><br><u>( )</u> | <u>Interest</u><br><u>Rate</u> |
|-----------------------------|------------------------------------|--------------------------------|-----------------------------|------------------------------------|--------------------------------|

(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 convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal

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\*To be completed as determined in the Pricing Certificate.

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 District.

**SECTION 7.02. LEVY OF TAX.** (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property in the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with 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 District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the District.
- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
  - (i) the amount which should be levied for maintenance and operation purposes;
  - (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 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 granted by the District under this Order, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of ad valorem taxes granted by the District under this Order is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

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

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

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

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

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

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

## ARTICLE EIGHT

### FLOW OF FUNDS AND INVESTMENTS

#### SECTION 8.01. 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 2010 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 the deposit hereinbefore provided and paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund as described in the Escrow Agreement in substantially the form attached hereto as Exhibit "B" with such changes as approved by the Pricing Officer.

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

## ARTICLE NINE

### APPLICATION OF FUNDS

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

**SECTION 9.02.** **ACCRUED INTEREST.** Moneys received from the Underwriter 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; 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 or Treasurer of the Board of Directors to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(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 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 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 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 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 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 Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this 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 trustees of the City or the City Council.

(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 Order, or because of any Event of Default or alleged Event of Default under this 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 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 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 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**

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

**SECTION 15.01. SALE OF BONDS.** The Bonds shall be sold and delivered, pursuant to a bond purchase agreement substantially in the form previously approved by the Board in connection with the last series of refunding bonds at a price and under the terms set forth in the Pricing Certificate. The Pricing Officer is authorized to approve such changes to the bond purchase agreement as necessary in connection with the sale of the Bonds.

**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, 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 Underwriter in final form, with such changes therein or additions thereto as the Pricing Officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

The Escrow Agreement by and between the District and Wells Fargo Bank, N.A. as Escrow Agent ("Escrow Agreement") in substantially the form and substance attached hereto as Exhibit "B" is hereby approved, and the Pricing Officer is hereby authorized to complete, amend, modify and execute the Escrow Agreement, as necessary.

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

**SECTION 15.04. REFUNDING OF REFUNDED BONDS.** That concurrently with the delivery of the Bonds, the Pricing Officer shall cause to be deposited with the paying

agent/registrars for the Refunded Bonds an amount from the proceeds of the sale of the Bonds sufficient, together with other legally available funds of the District, to provide for the refunding and defeasance of the Refunded Bonds. The Pricing Officer is further authorized and directed to apply and there is hereby appropriated such moneys of the District as are necessary to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds. The Pricing Officer is hereby authorized and directed to issue to the paying agent/registrars for the Refunded Bonds the Notices of Redemption with respect to the Refunded Bonds in substantially the form set forth in Exhibit "C" hereto with such changes and additions as necessary to conform to the Pricing Certificate.

## ARTICLE SIXTEEN

### OPEN MEETING AND EFFECTIVE DATE

**SECTION 16.01. OPEN MEETING.** The Board of Directors officially finds, determines, and declares that this Bond Order was reviewed, carefully considered, and adopted at a meeting of the Board, and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted 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 all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, any insurance commitment letter or insurance policy and the Official Statement. In addition, prior to the initial delivery of the Bonds, President, Vice President or Treasurer and Secretary of the Board of Directors of the District, the District's Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Order or to any of the instruments authorized and approved by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance 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, 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 as determined by the Pricing Officer at the time the Bonds are sold. The Pricing Certificate shall specify such financial information and operating data. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "D" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB, and audited financial statements when such become available.

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

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

(b) Material Event Notices. The District shall notify the MSRB, in an electronic format as prescribed by 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 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 paragraph (a) of this section 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 13.01 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 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 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.

(a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 15.03 of this Order, being the information described in Exhibit "C" hereto. Any financial statements to be so 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 such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

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

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

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

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

to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and

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

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

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

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

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

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

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

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

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

**EXHIBIT "A"**

**PAYING AGENT/REGISTRAR AGREEMENT**



**EXHIBIT "B"**  
**ESCROW AGREEMENT**

**EXHIBIT "C"**

**FORM OF NOTICE OF DEFEASANCE/REDEMPTION**

**Brushy Creek Municipal Utility District**

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 COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES \_\_\_\_\_\***, all outstanding obligations maturing on June 1 in each of the years \_\_\_\_\_\* through \_\_\_\_\_\* in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP**</u> |
|----------------------|-------------------------|----------------------|------------------------|----------------|
| _____*               | _____*                  | _____*               | _____*                 | _____          |

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/Registered/Certified Mail**      **By Overnight or Courier:**      **In person:**

\_\_\_\_\_

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 28% 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**

\_\_\_\_\_  
\*To be completed as determined in the Pricing Certificate.

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

## **EXHIBIT "D"**

### **CONTINUING DISCLOSURE UNDERTAKING**

#### **Accounting Principles**

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



## PRICING CERTIFICATE

I, the undersigned General Manager of the Board of Directors of Brushy Creek Municipal Utility District (the "District"), acting pursuant to the authority granted to me by the order adopted by the Board of Directors of the District on July 8, 2010 (the "Bond Order") relating to the issuance of the Brushy Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2010 (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 RBC Capital Markets pursuant to the terms of the Bond Purchase Agreement dated July 20, 2010, between the District and the Underwriter and attached hereto as Exhibit "A", for cash at a price of \$17,334,274.35 (being the par amount of the Bonds less an underwriting discount of \$257,850.00 plus a net premium of \$402,124.35), plus accrued interest from the date of the Bonds to the date of delivery, according to the following terms:

A. The aggregate original principal amount of the Bonds shall be \$17,190,000.

B. The Bonds will be issued as serial Current Interest Bonds (the "Bonds") dated August 1, 2010 and shall be numbered from R-1 upwards (except that the Initial Bond shall be numbered T-1). The Bonds shall mature and bear interest from their dated date as follows:

| <u>Principal Amount</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> | <u>Principal Amount</u> | <u>Maturity Date (June 1)</u> | <u>Interest Rate</u> |
|-------------------------|-------------------------------|----------------------|-------------------------|-------------------------------|----------------------|
| \$ 105,000              | 2011                          | 2.000%               | \$1,215,000             | 2019                          | 3.500%               |
| 1,820,000               | 2012                          | 2.000                | 1,270,000               | 2020                          | 4.000                |
| 985,000                 | 2013                          | 2.000                | 1,320,000               | 2021                          | 4.000                |
| 1,020,000               | 2014                          | 2.500                | 1,375,000               | 2022                          | 4.000                |
| 1,050,000               | 2015                          | 2.500                | 1,430,000               | 2023                          | 4.000                |
| 1,085,000               | 2016                          | 3.000                | ****                    | ****                          | ****                 |
| 1,130,000               | 2017                          | 3.000                | ****                    | ****                          | ****                 |
| 1,170,000               | 2018                          | 3.500                | 2,215,000               | 2026                          | 4.000                |

C. Interest on the Bonds shall be payable December 1 and June 1 of each year, commencing December 1, 2010. 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 scheduled to mature on and after June 1, 2020, 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, 2019 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 maturing on June 1, 2026 (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.

| <b>Bonds Maturing June 1, 2026</b> |                         |
|------------------------------------|-------------------------|
| <b>Redemption Date</b>             | <b>Principal Amount</b> |
| June 1, 2025                       | \$ 255,000              |
| June 1, 2026†                      | 1,960,000†              |

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†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.

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

3. The Bonds are being insured by Assured Guaranty Municipal Corp.

4. The Bonds are in amounts sufficient together with certain other lawfully available funds of the District to refund the Refunded Bonds set forth in "Exhibit B" hereto and to pay the costs of issuing the Bonds. The Refunded Bonds shall be subject to redemption as set forth in "Exhibit C".

5. The issuance of the Bonds is in the best interest of the District and produces a net present value debt service savings of \$976,103.86(3.71636856% of the Refunded Bonds), net of any District contribution to the refunding, and a gross debt service savings of \$1,282,991.43.

6. 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. 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.

-----

WITNESS MY HAND this 21 day of July, 2010.

**BRUSHY CREEK MUNICIPAL UTILITY  
DISTRICT**

By: Tom Clark

Name: Tom Clark

Title: General Manager

**EXHIBIT A**  
**Bond Purchase Agreement**



**EXHIBIT B**

**Refunded Bonds**

Brushy Creek Municipal Utility District Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001, dated October 1, 2001 as described below:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2012         | \$855,000               | 4.250%               |
| *****                | *****                   | *****                |
| June 1, 2026         | 635,000                 | 5.125                |

aggregating \$1,490,000 in principal amount.

\* \* \*

Brushy Creek Municipal Utility District Unlimited Tax Bonds, Series 2003, dated December 1, 2003 as described below:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| June 1, 2012         | \$ 875,000              | 3.625%               |
| June 1, 2013         | 920,000                 | 3.750                |
| June 1, 2014         | 965,000                 | 3.900                |
| June 1, 2015         | 1,010,000               | 4.000                |
| June 1, 2016         | 1,060,000               | 4.150                |
| June 1, 2017         | 1,115,000               | 4.250                |
| June 1, 2018         | 1,165,000               | 4.350                |
| June 1, 2019         | 1,225,000               | 4.400                |
| June 1, 2020         | 1,285,000               | 4.500                |
| June 1, 2021         | 1,345,000               | 4.600                |
| June 1, 2022         | 1,410,000               | 4.700                |
| June 1, 2023         | 1,480,000               | 4.750                |
| *****                | *****                   | *****                |
| June 1, 2026         | 1,705,000               | 4.750                |

aggregating \$15,560,000 in principal amount.

**EXHIBIT C**

**NOTICES OF DEFEASANCE/REDEMPTION**

**Brushy Creek Municipal Utility District**

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 COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2001**, all outstanding obligations maturing on June 1, 2012 and June 1, 2026, aggregating \$1,490,000 in principal amount.

| <u>Maturity Date</u>  | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u>   | <u>CUSIP*</u>      |
|-----------------------|-------------------------|----------------------|--------------------------|--------------------|
| June 1, 2012<br>***** | \$855,000<br>*****      | 4.250%<br>*****      | August 31, 2010<br>***** | 117464DQ7<br>***** |
| June 1, 2026          | 635,000                 | 5.125                | August 31, 2010          | 117464LF2          |

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/Registered/Certified Mail:**  
Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier:**  
Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9303-121  
6th & Marquette Avenue  
Minneapolis, MN 55479

**In person:**  
Wells Fargo Bank, N.A.  
Northstar East Building  
608 2nd Ave. So., 12th Fl.  
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.

\*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**

**Brushy Creek Municipal Utility District**

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 UNLIMITED TAX BONDS, SERIES 2003**, all outstanding obligations maturing on June 1 in each of the years 2012 through 2023 and the term bond maturing in 2026, aggregating \$15,560,000 in principal amount.

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| June 1, 2012         | \$ 875,000              | 3.625%               | August 31, 2010        | 117464EJ2     |
| June 1, 2013         | 920,000                 | 3.750                | August 31, 2010        | 117464EK9     |
| June 1, 2014         | 965,000                 | 3.900                | August 31, 2010        | 117464EL7     |
| June 1, 2015         | 1,010,000               | 4.000                | August 31, 2010        | 117464EM5     |
| June 1, 2016         | 1,060,000               | 4.150                | August 31, 2010        | 117464EN3     |
| June 1, 2017         | 1,115,000               | 4.250                | August 31, 2010        | 117464EP8     |
| June 1, 2018         | 1,165,000               | 4.350                | August 31, 2010        | 117464EQ6     |
| June 1, 2019         | 1,225,000               | 4.400                | August 31, 2010        | 117464ER4     |
| June 1, 2020         | 1,285,000               | 4.500                | August 31, 2010        | 117464ES2     |
| June 1, 2021         | 1,345,000               | 4.600                | August 31, 2010        | 117464ET0     |
| June 1, 2022         | 1,410,000               | 4.700                | August 31, 2010        | 117464EU7     |
| June 1, 2023         | 1,480,000               | 4.750                | August 31, 2010        | 117464EV5     |
| *****                | *****                   | *****                | *****                  | *****         |
| June 1, 2026         | 1,705,000               | 4.750                | August 31, 2010        | 117464EY9     |

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/Registered/Certified Mail**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier:**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9303-121  
6th & Marquette Avenue  
Minneapolis, MN 55479

**In person:**

Wells Fargo Bank, N.A.  
Northstar East Building  
608 2nd Ave. So., 12th Fl.  
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 such 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.

\*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**

# McCALL GIBSON SWEDLUND BARFOOT PLLC

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

July 9, 2019

Brushy Creek Municipal Utility District  
c/o McCall, Parkhurst & Horton L.L.P.  
600 Congress Avenue, Suite 1800  
Austin, Texas 78701

Raymond James & Associates, Inc.  
5847 San Felipe Street, Suite 4125  
Houston, Texas 77057

Robert W. Baird & Co. Incorporated  
1331 Lamar, Suite 1360  
Houston, Texas 77010

Ladies and Gentlemen:

We are the independent certified public accountants for Brushy Creek Municipal Utility District and, as such, furnished our opinion on such District's financial statements as of September 30, 2018, and for the year then ended, which opinions are included as APPENDIX A to the Official Statement related to the District's Unlimited Tax Refunding Bonds, Series 2019. We hereby consent to the reproduction of such opinion and financial statements in the Official Statement and the description of McCall Gibson Swedlund Barfoot PLLC, therein.

Sincerely,



---

For the Firm  
McCall Gibson Swedlund Barfoot PLLC

CS:cb



July 19, 2019

Brushy Creek Municipal Utility District  
c/o McCall, Parkhurst & Horton L.L.P.  
600 Congress Avenue, Suite 1800  
Austin, Texas 78701

Robert W. Baird & Co. Incorporated  
1331 Lamar, Suite 1360  
Houston, Texas 77010

Raymond James & Associates, Inc.  
5847 San Felipe Street, Suite 4125  
Houston, Texas 77057

**RE: LETTER OF REPRESENTATION  
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT,  
UNLIMITED TAX REFUNDING BONDS, SERIES 2019**

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District ("Issuer") of its Unlimited Tax Refunding Bonds, Series 2019 ("Bonds"), the Issuer has, among other things, participated in the preparation of a Preliminary Official Statement and an Official Statement to be distributed by Robert W. Baird & Co. Incorporated, the Issuer's financial advisor, to Raymond James & Associates, Inc. as the Underwriter of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement." We are the consulting engineer for the Issuer and are executing and delivering the Letter of Representation to make the agreements stated herein and to acknowledge your reliance as to certain information necessary to the preparation of the Official Statement as more fully described below.

1. We hereby acknowledge receipt of a copy of the Official Statement.

2. We represent and warrant that the information contained in the Official Statement as identified below is true and correct and, to the best of our knowledge and area of expertise, does not contain any untrue or misleading statement of a material fact. Such information includes the following portions of the Section entitled THE SYSTEM which begins on Page 35 of the Official Statement:
  - a. Subsection entitled "Regulation." The entire paragraph.
  - b. Subsection entitled "Water Supply and Distribution," Paragraph 1: The demands cited are generally correct and considered typical; however, the demands do vary year to year.
  - c. Subsection entitled "Water Supply and Distribution" Paragraphs 3 through 8, inclusive: The information provided in these paragraphs is generally correct based on our knowledge of the system, with the following exception: The composite elevated storage tank located on Neenah Avenue actually has a total capacity of 750,000-gallons rather than the stated 700,000-gallon capacity.
  - d. Subsection entitled "Wastewater Collection and Treatment," Paragraph 1: First sentence is accurate.
  - e. Subsection entitled "Wastewater Collection and Treatment," Paragraphs 3 and 4: These paragraphs are generally accurate.
3. We consent to the use of our name in the Official Statement, particularly in the section entitled, "PREPARATION OF OFFICIAL STATEMENT - Experts" and as described therein.
4. Our representatives have generally reviewed the Official Statement. In the course of such conferences and review, nothing within our general area of practice 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 above, we assume no responsibility to you to undertake to verify such information.

5. This Letter of Representation is made solely for your benefit and no other person, partnership, association, corporation, or political subdivision, including, but without limitation, any persons who purchase the Bonds, shall acquire or have any right hereunder or by virtue hereof.
6. The undersigned hereby represents that he or she is authorized to execute this Letter of Representation on behalf of the Engineer.

Sincerely,

MRB GROUP, P.C.

Thomas S. Caponi

July 19, 2019 Date



Home > Market Activity - Continuing Disclosure > Details

## Continuing Disclosure Details


### EVENT FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Bond Call: EVENT FILING, as of 07/01/2019

Total CUSIPs associated with this submission: 2

### View Documents

 Event Filing as of 07/01/2019 - posted 07/01/2019 [View](#)

### CUSIP-6s


> BRUSHY CREEK MUN UTIL DIST TEX, TX, (117464)

### BRUSHY CREEK MUN UTIL DIST TEX, TX, (117464)

Total CUSIPs selected for this CUSIP-6: 2

Display  results | Search within list:

[First](#) [Previous](#) [1](#) [Next](#) [Last](#)

| Issue Description *  | Dated Date | Maturity Dates | Official Statement   |
|--|------------|----------------|----------------------|
|  UNLIMITED TAX REFUNDING BONDS, SERIES 2009 | 09/01/2009 | 2010 to 2024   | <a href="#">View</a> |

Displaying 1 to 1 of 1 results

[First](#) [Previous](#) [1](#) [Next](#) [Last](#)

### ISSUER'S CONTACT INFORMATION

### OBLIGOR'S CONTACT INFORMATION

**Company:** Wells Fargo Bank N.A.  
**Name:** Bondholder Communications Bondholder Communications  
**Address:** 600 Fourth Street South  
**City, State Zip:** Mpls, MN 55479  
**Phone Number:** 800-344-5128  
**Email:** BONDHOLDERCOMMUNICATIONS@WellsFargo.com

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NOTICE OF REDEMPTION

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
TEXAS UNLIMITED TAX REFUNDING BOND  
SERIES 2009 DTD 9/1/09

Redemption Date 07/31/2019

| CUSIP     | Rate    | Price      | Maturity Date | Call Reason            | Called Amount |
|-----------|---------|------------|---------------|------------------------|---------------|
| 117464LA3 | 4.1250% | 100.000000 | 06/01/2021    | CONDITIONAL REDEMPTION | \$230,000.00  |
| 117464LB1 | 4.3750% | 100.000000 | 06/01/2022    | CONDITIONAL REDEMPTION | \$240,000.00  |

**NOTICE IS HEREBY GIVEN** that the securities described herein have been called for redemption at the applicable redemption price plus accrued interest, if any, to the redemption date. On the redemption date, each security shall become due and payable, and interest shall cease to accrue. In the event less than the entire principal amount of a security is to be redeemed, a new security for the unredeemed portion will be issued in your name without charge. Payment of the redemption proceeds will be made on or after the redemption date upon presentation and surrender of the securities, if required by the governing documents, to:

Registered/Certified Mail:

**Wells Fargo Bank, N.A.**  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

Air Courier:

**Wells Fargo Bank, N.A.**  
600 Fourth Street South, 7th Floor  
Minneapolis, MN 55479  
MAC N9300-070

Wells Fargo Bank, N.A. policy does not allow the safekeeping of securities within Corporate Trust Operations for a period of longer than 30 days. Please DO NOT submit your securities for payment more than 30 days in advance of the redemption date. A \$25.00 wire transfer fee will be deducted from each payment requested to be made by wire. When inquiring about this redemption, please have the Bond number available. Please inform the customer service representative of the CUSIP number(S) of the affected Bond. Customer Service can be reached Toll Free at 1-800-344-5128.

**IMPORTANT INFORMATION REGARDING TAX CERTIFICATION AND POTENTIAL WITHHOLDING:**

Pursuant to U.S. federal tax laws, you have a duty to provide the applicable type of tax certification form issued by the U.S. Internal Revenue Service ("IRS") to Wells Fargo Bank, N.A. Corporate Trust Services to ensure payments are reported accurately to you and to the IRS. In order to permit accurate withholding (or to prevent withholding), a complete and valid tax certification form must be received by Wells Fargo Bank, N.A. Corporate Trust Services before payment of the redemption proceeds is made to you. Failure to timely provide a valid tax certification form as required will result in the maximum amount of U.S. withholding tax being deducted from any redemption payment that is made to you.

**WELLS  
FARGO**

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
By: **Wells Fargo Bank, N.A. as Agent**  
Publication Date: JULY 01, 2019

NOTICE OF REDEMPTION

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS  
SERIES 2010 DTD 8/01/10

Redemption Date 07/31/2019

| CUSIP     | Rate    | Price      | Maturity Date | Call Reason            | Called Amount  |
|-----------|---------|------------|---------------|------------------------|----------------|
| 117464LS4 | 4.0000% | 100.000000 | 06/01/2021    | CONDITIONAL REDEMPTION | \$1,320,000.00 |
| 117464LT2 | 4.0000% | 100.000000 | 06/01/2022    | CONDITIONAL REDEMPTION | \$1,375,000.00 |
| 117464LU9 | 4.0000% | 100.000000 | 06/01/2023    | CONDITIONAL REDEMPTION | \$1,430,000.00 |
| 117464LW5 | 4.0000% | 100.000000 | 06/01/2026    | CONDITIONAL REDEMPTION | \$2,215,000.00 |

**NOTICE IS HEREBY GIVEN** that the securities described herein have been called for redemption at the applicable redemption price plus accrued interest, if any, to the redemption date. On the redemption date, each security shall become due and payable, and interest shall cease to accrue. In the event less than the entire principal amount of a security is to be redeemed, a new security for the unredeemed portion will be issued in your name without charge. Payment of the redemption proceeds will be made on or after the redemption date upon presentation and surrender of the securities, if required by the governing documents, to:

Registered/Certified Mail:

**Wells Fargo Bank, N.A.**

Corporate Trust Operations

P.O. Box 1517

Minneapolis, MN 55480-1517

Air Courier:

**Wells Fargo Bank, N.A.**

600 Fourth Street South, 7th Floor

Minneapolis, MN 55479

MAC N9300-070

Wells Fargo Bank, N.A. policy does not allow the safekeeping of securities within Corporate Trust Operations for a period of longer than 30 days. Please DO NOT submit your securities for payment more than 30 days in advance of the redemption date. A \$25.00 wire transfer fee will be deducted from each payment requested to be made by wire. When inquiring about this redemption, please have the Bond number available. Please inform the customer service representative of the CUSIP number(S) of the affected Bond. Customer Service can be reached Toll Free at 1-800-344-5128.

**IMPORTANT INFORMATION REGARDING TAX CERTIFICATION AND POTENTIAL WITHHOLDING:**

Pursuant to U.S. federal tax laws, you have a duty to provide the applicable type of tax certification form issued by the U.S. Internal Revenue Service ("IRS") to Wells Fargo Bank, N.A. Corporate Trust Services to ensure payments are reported accurately to you and to the IRS. In order to permit accurate withholding (or to prevent withholding), a complete and valid tax certification form must be received by Wells Fargo Bank, N.A. Corporate Trust Services before payment of the redemption proceeds is made to you. Failure to timely provide a valid tax certification form as required will result in the maximum amount of U.S. withholding tax being deducted from any redemption payment that is made to you.

**WELLS  
FARGO**

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By: Wells Fargo Bank, N.A. as Agent

Publication Date: JULY 01, 2019

CONDITIONAL NOTICE OF REDEMPTION

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT**

Notice is hereby given that the following obligations issued by Brushy Creek Municipal Utility District (the "District") have been 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 UNLIMITED TAX REFUNDING BONDS, SERIES 2009**, outstanding obligations maturing on June 1 in each of the years 2021 and 2022, aggregating \$470,000 in principal amount (the "Series 2009 Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 230,000              | 4.125%               | July 31, 2019          | 117464LA3     |
| 2022                 | 240,000                 | 4.375                | July 31, 2019          | 117464LB1     |

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2010**, outstanding obligations maturing on June 1 in each of the years 2021, 2022, 2023 and 2026 aggregating \$6,340,000 in principal amount (the "Series 2010 Redeemed Bonds") (the Series 2009 Redeemed Bonds and the Series 2010 Redeemed Bonds are collectively referred to herein as the "Redeemed Bonds").

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Redemption Date</u> | <u>CUSIP*</u> |
|----------------------|-------------------------|----------------------|------------------------|---------------|
| 2021                 | \$ 1,320,000            | 4.000%               | July 31, 2019          | 117464LS4     |
| 2022                 | 1,375,000               | 4.000                | July 31, 2019          | 117464LT2     |
| 2023                 | 1,430,000               | 4.000                | July 31, 2019          | 117464LU9     |
| 2026                 | 2,215,000               | 4.000                | July 31, 2019          | 117464LW5     |

\*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.

This Conditional Notice of Redemption and the payment of the principal of and interest on the Redeemed Bonds on the Redemption Date are subject to the issuance and delivery of the District's Unlimited Tax Refunding Bonds Series 2019 (the "Refunding Bonds") on or before the Redemption Date. In the event such Refunding Bonds are not issued on or before the Redemption Date, the conditional redemption of the Redeemed Bonds shall be null and void and of no force and effect, and any Redeemed Bonds delivered for redemption shall be returned to the respective owners thereof. In such case, said Redeemed Bonds shall remain outstanding as though this Conditional Notice of Redemption had not been given.

The Redeemed Bonds shall be redeemed upon presentation at the principal corporate offices of Wells Fargo Bank, N.A., as paying agent/registrars for the Redeemed Bonds, at the addresses set forth below. Interest on the Redeemed Bonds shall cease to accrue from and after the Redemption Date, if the Redeemed Bonds are redeemed as provided in this Conditional Notice of Redemption.

**First Class/Registered/Certified Mail**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
P.O. Box 1517  
Minneapolis, MN 55480-1517

**By Overnight or Courier**

Wells Fargo Bank, N.A.  
Corporate Trust Operations  
N9303-121  
6<sup>th</sup> & Marquette Avenue  
Minneapolis, MN 55479

**By Hand**

Wells Fargo Bank, N.A.  
Northstar East Building  
608 2<sup>nd</sup> Ave. So., 12<sup>th</sup> Floor  
Minneapolis, MN

Interest on the Redeemed Bonds 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**