

Legal Papers

PERTAINING
TO

\$3,530,000

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

TRANSCRIPT OF PROCEEDINGS

LAW OFFICES
MCCALL, PARKHURST & HORTON L.L.P.
600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248

\$3,530,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS,
SERIES 2015

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I, Mike Petter, General Manager and Custodian of the Records of Brushy Creek Municipal Utility District do hereby certify that the attached is a true and correct copy of the "Resolution Authorizing Application the Texas Commission on Environmental Quality for Approval of Project and Bonds and Relating to Use of Surplus Bond Funds" the original of which is on file at the office of the Texas Commission on Environmental Quality.



General Manager

(District Seal)

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §

COUNTY OF WILLIAMSON §

I, the undersigned officer of the Board of Directors of Brushy Creek Municipal Utility District hereby certify as follows:

1. The Board of Directors of Brushy Creek Municipal Utility District convened in a regular meeting on February 12, 2015 at the regular meeting place outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to wit:

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

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

**RESOLUTION AUTHORIZING APPLICATION TO THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR
APPROVAL OF PROJECT AND REVENUE NOTES**

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

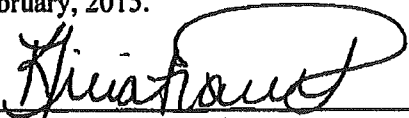
Ayes: 5

Nays: 0

2. That a true, full and correct copy of the aforesaid Resolution was adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the 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, that the Resolution would be introduced and considered for adoption 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 as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED on this 12th day of February, 2015.

(SEAL)



Secretary, Board of Directors

RESOLUTION 15-0212-01

AUTHORIZING APPLICATION TO THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR
APPROVAL OF PROJECT AND REVENUE NOTES

WHEREAS, Brushy Creek Municipal Utility District (the "District") is a political subdivision of the State of Texas, created and operating under Chapters 49 and 54, Texas Water Code; and

WHEREAS, the District desires to issue \$8,000,000 in revenue notes to finance construction of the expansion of the Brushy Creek Municipal Utility District Community Center and improvements related thereto, in addition to paying certain costs of issuance of the notes; and

WHEREAS, Section 49.153, Texas Water Code, requires the District, when it desires to issue revenue notes for a term longer than three years, to obtain an order approving the notes from the Texas Commission on Environmental Quality;

WHEREAS, the Board of Directors desires to secure the approval and consent of the Texas Commission on Environmental Quality for the issuance of revenue notes to finance the construction of the aforementioned recreation improvements, and certain costs related thereto, which is more completely described in the engineering report submitted in connection with this application; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BRUSHY CREEK MUNICIPAL UTILITY DISTRICT THAT:

Section 1: The General Manager, President and Secretary of the Board of Directors are hereby authorized and directed as follows:

- (1) To make application to the Texas Commission on Environmental Quality for review and approval of the District's constructing and improving the Brushy Creek Municipal Utility District Community Center described in the engineering report prepared by Jones-Heroy & Associates, Inc. in connection with this application, such project to consist generally of recreation and parking facilities, and costs related thereto, to serve the residents in the Brushy Creek Municipal Utility District;
- (2) To request the Texas Commission on Environmental Quality to approve revenue notes of the District in the principal amount of not to exceed \$8,000,000, bearing interest at a net effective interest rate not to exceed the maximum legal limit in effect at the time of issuance of said notes, and maturing serially in accordance with the schedule provided in the aforesaid engineering report;

Section 2: By this application, the District assures the Texas Commission on Environmental Quality that it will abide by all terms and conditions prescribed by the Commission.

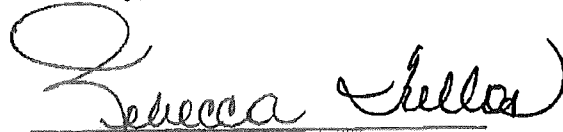
Section 3: Jones-Heroy & Associates, Inc. is authorized and directed to prepare an engineering report in the form required by the Texas Commission on Environmental Quality and to submit same to the Commission in support of this application, together with a copy of the data, profiles, maps, plans, and specifications prepared in connection with such report.

Section 4: The General Manager, President and Secretary of the Board of Directors, the District's engineers, the District's attorneys, and the District's financial advisors are authorized and directed to do any and all things necessary and proper in connection with this application.

Section 5: A certified copy of this resolution shall constitute an application and request on behalf of the District to the Texas Commission on Environmental Quality pursuant to Section 49.153, Texas Water Code, for approval of the project and issuance of the revenue notes.

Section 6: The Board of Directors hereby approves the payment of all filing fees to TCEQ in connection with the application and requests that are the subject of this Resolution.

PASSED AND APPROVED the 12th day of February, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

MAR 16 2015

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON

Bridget C. Bohar

BRIDGET C. BOHAR, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER APPROVING AN ENGINEERING PROJECT AND THE ISSUANCE OF \$3,530,000 IN UNLIMITED TAX AND REVENUE BONDS FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT OF WILLIAMSON COUNTY - SENDERO SPRINGS/CORNERSTONE DEFINED AREA

An application by Brushy Creek Municipal Utility District of Williamson County - Sendero Springs/Cornerstone Defined Area (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "TCEQ") for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project and issuance of \$3,530,000 in bonds to finance: the funding of the remaining construction costs for utilities serving Sendero Springs Section 7 and Enclave at Highland Horizon utilities; and water, wastewater, and drainage facilities serving single family residential development in Highland Horizon Phase III. The TCEQ has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the TCEQ on September 5, 2014 for approval of a proposed engineering project and the issuance of \$3,530,000 in bonds.
2. The Executive Director of the TCEQ has investigated the District.
3. The application and accompanying documents have been examined. The project site was visited by the TCEQ on January 17, 2015, and a written memorandum was prepared on the project dated February 25, 2015, a copy of which is attached and made a part hereof.
4. The District's project and the issuance of \$3,530,000 in bonds at a maximum net effective interest rate of 4.71% to finance the project should be approved.
5. The District should be directed not to purchase facilities or assume facility contracts from the developer until either (1) the TCEQ's Region office staff has inspected the project, and the District has received a Region office report with no deficiencies noted, for which approval is valid for 120 days from the date of the order approving the bonds; or, (2) if a Region office report indicates deficiencies, the TCEQ's Districts Section staff has received a request from the District and a Region office report, reviewed the contract administration, and given written

authorization to finalize the purchase or assumption, either in accordance with 30 TEX. ADMIN. CODE § 293.69.

6. The District should be directed that it may purchase an additional portion of the Sendero Springs Section 7 and Enclave at Highland Horizon projects without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69.

7. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made.

8. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

9. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

10. The approval of \$570,000 in unissued bonds out of \$4,070,000 originally approved on June 28, 2013, should be rescinded.

CONCLUSIONS OF LAW

1. The TCEQ has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.

2. The Executive Director of the TCEQ has investigated the District, and the TCEQ has found it legally organized and feasible.

3. The memorandum dated February 25, 2015, on this engineering project and bond issue should be adopted as the written TCEQ project report in compliance with TEX. WATER CODE § 49.181(d).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the memorandum dated February 25, 2015, on this engineering project and bond issue are adopted as the written TCEQ project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Brushy Creek Municipal Utility District of Williamson County - Sendero Springs/Cornerstone Defined Area is hereby approved together with the issuance of \$3,530,000 in bonds at a maximum net effective interest rate of 4.71%. The District is directed not to purchase facilities or assume facility contracts from developer until either (1) the TCEQ's Region office staff has inspected the project, and the District has received a Region office report with no deficiencies noted, for which approval is valid for 120 days from the date of the order approving the bonds; or, (2) if a Region office report indicates deficiencies, the TCEQ's Districts Section staff has received a request from the District and a Region office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption, either in accordance with 30 TEX. ADMIN. CODE § 293.69. The District is directed that it may purchase an additional portion of the Sendero Springs Section 7 and Enclave at

Highland Horizon projects without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ. The approval of \$570,000 in unissued bonds out of \$4,070,000 originally approved on June 28, 2013, is rescinded.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701, the District shall pay to the TCEQ 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fees shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER that to enable the TCEQ to carry out the responsibilities imposed by Tex. Water Code §§ 49.181-182, the District shall: (1) furnish the TCEQ's Districts Section copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by Tex. Water Code § 49.277(b), which have not already been submitted; (2) notify the TCEQ's Districts Section and obtain approval of the Texas TCEQ on Environmental Quality for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by Tex. Water Code § 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with provisions of this Order shall subject the District and its directors to all penalties that are provided by law and shall further be considered by the TCEQ as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the TCEQ is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **March 12, 2015**



For the Commission

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Justin P. Taack, Manager
Districts Section

Date: February 25, 2015

Thru: Seyed Miri, P.E., Leader
Districts Creation Review Team

From: Ren Berra
Districts Creation Review Team

Subject: Brushy Creek Municipal Utility District of Williamson County - Sendero Springs/
Cornerstone Defined Area; Application for Approval of \$3,530,000 Unlimited Tax
Bonds, Fifteenth (Fifth Defined Area) Issue, 4.71% Net Effective Interest Rate,
Series 2015; Pursuant to Texas Water Code § 49.181.
TCEQ Internal Control No. D-09052014-010 (TC)
CN: 600646574 RN: 101438109

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received an application from Brushy Creek Municipal Utility District of Williamson County - Sendero Springs/ Cornerstone Defined Area (District) requesting approval for the issuance of \$3,530,000 in unlimited tax bonds exclusive to the Sendero Springs/Cornerstone Defined Area (Defined Area), to finance the Defined Area's share of costs for the following projects:

- The funding of the remaining construction costs for utilities serving Sendero Springs Section 7 and Enclave at Highland Horizon utilities; and
- Water, wastewater and drainage facilities to serve the following development:

<u>Development</u>	<u>Type of Development</u>	<u>Acreage</u> ⁽¹⁾	<u>Active ESFCs</u> ⁽²⁾	<u>Ultimate ESFCs</u>
Highland Horizon Phase III	Single-Family	31.09	-0-	107
Totals		31.09	-0-	107

Notes: (1) Highland Horizon Phase III is a replat of a portion of Highland Horizon Phase I. The 31.09 acres as presented was originally proposed for multi-family development and indicated as such within the Defined Area's second bond issue.

(2) Equivalent Single-Family Connections (ESFCs) as of July 1, 2014, as stated in the engineering report.

The District's previous bond issues and use of surplus funds for the Defined Area funded utilities to serve 1,434 ESFCs on 356.11 acres (revised from previous bond issue). Including this bond issue, the District will have funded utilities to serve 1,541 ESFCs on 387.20 developable (416.68 total) acres, which represents ultimate development.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The economic feasibility of this bond issue is based on the existing 801 ESFCs within the Defined Area as of July 1, 2014 and no-growth to a certified assessed valuation (AV) of \$264,174,702, as of January 1, 2014. A market study was not provided and is not required since the feasibility of the proposed bond issue is based on no-growth.

According to a Williamson Central Appraisal District certificate, the Defined Area's January 1, 2014 estimated taxable AV is \$264,174,702. The annual debt service requirement for the proposed \$3,530,000 bond issue and existing Defined Area debt averages \$823,170 for the 26-year life of the Defined Area's bond debt. The District levied no Defined Area maintenance tax in 2013 and, according to the engineering report, intends to levy no Defined Area maintenance tax in the future.

The District's financial advisor submitted a cash flow schedule considering the requested \$3,530,000 bond issue, no-growth to the Defined Area's certified taxable AV of \$264,174,702, no capitalized interest, a bond interest rate of 4.50%, a 99% collection factor, a bond discount rate of 3.0%, and a projected tax rate of \$0.35 per \$100 assessed valuation. The TCEQ's Districts Section's financial analyst has reviewed the financial information submitted and has concluded that the following level debt service tax rate would be sufficient.

<u>Taxing Jurisdiction</u>	<u>Projected Tax Rate</u>
Sendero Springs/Cornerstone Defined Area	
Debt Service	\$ 0.35 ⁽¹⁾⁽²⁾
Maintenance	\$ 0.00
Total	\$ 0.35
Brushy Creek MUD (Entire District)	
Debt Service	\$ 0.23 ⁽³⁾
Maintenance	\$ 0.25
Total	\$ 0.48
Total Defined Area Taxes	\$ 0.83 ⁽⁴⁾

- Notes: (1) Based on a net effective interest rate of 4.71%, a 99% tax collection rate, no-growth to the January 1, 2014 certified AV of \$264,174,702, and at least a 25% ending debt service fund balance.
(2) The term "commission-approved tax rate" in 30 Texas Administrative Code (30 TAC) § 293.85 refers to an initial ad valorem debt service tax of at most \$0.35 per \$100 assessed valuation.
(3) Represents the projected tax rate stated in the engineering report.
(4) Represents the combined projected tax rate as defined by 30 TAC § 293.59(f).

Additional Financial Comments

The Defined Area is exempt from the 75% and 25% build-out requirements of 30 TAC §§ 293.59(l)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$0.83 per \$100 AV being less than \$1.20, pursuant to 30 TAC §§ 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSISWater Supply

Water supply for the Defined Area is the same as for the entire District and is provided by a combination of groundwater from primarily one of five wells within the District and surface water pursuant to the "System Water Supply Agreement between Brazos River Authority and Brushy Creek Municipal Utility District" dated February 26, 1997. This agreement allows the purchase of 4,000 acre-feet of water per year from the Stillhouse Hollow Reservoir. The District participates with others in the Williamson County Regional Raw Water Supply project to transfer raw water from Stillhouse Hollow Reservoir to Lake Georgetown. Pursuant to the "Participation Agreement With Respect To Williamson County Raw Water Line" dated October 1, 1998, as amended, the District owns capacity and is responsible for 9.551% of the regional raw water project.

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 million gallons per day (MGD) of water. The raw water line has a capacity of 10 MGD. 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.

The Sendero Springs portion of the Defined Area is connected to the District's water distribution system and receives water from the District's 300,000 gallon elevated storage tank. The Cornerstone portion of the Defined Area is connected to the District's water distribution system and receives water through a transmission main and the District's 750,000 gallon elevated storage tank.

The following table summarizes the entire District's existing water supply facilities, along with the ESFC capacity of each component based on minimum criteria per 30 TAC § 290.45:

<u>Facility</u>	<u>Minimum Requirements</u>	<u>Total Capacity (ESFC Capacity)</u>
Wells	0.6 gpm/ESFC	694 gpm ⁽¹⁾ (1,157 ESFCs)
Surface Water Supply	360 gpd/ESFC	4,000 acre-ft ⁽²⁾ (9,876 ESFCs)
Intake Pump Station	0.6 gpm/ESFC	4,861 gpm (8,102 ESFCs)
Treatment Facility	0.6 gpm/ESFC	4,319 gpm (7,198 ESFCs)
Ground Storage	200 gal/ESFC	2,877,000 gal (19,635 ESFCs) ⁽³⁾
Elevated Storage	100 gal/ESFC	1,050,000 gal ⁽⁴⁾ (10,500 ESFCs)
Booster Pumps	2.0 gpm/ESFC	9,600 gpm (4,800 ESFCs)

- Notes: (1) Represents the District's one well in use and four groundwater wells temporarily out of service.
(2) Total authorized of 4,000 acre-feet per year times 43,560sq.feet per acre times 7.448 gallons per ft³ divided by 365 days per year divided by the 360 gpd criteria in Bond Application Report Format.
(3) Total storage of 3,927,000 (2,877,000 ground + 1,050,000 elevated) provides for 19,635 ESFCs at 200 gallons per ESFC.
(4) Sendero Springs and Brushy Creek North are serviced by the 300,000 gal North Elevated tank and Cornerstone is serviced by the 750,000 gal Neenah Elevated tank.

The District has four emergency interconnects, three with the City of Round Rock and one with Fern Bluff Municipal Utility District. All interconnects are normally closed.

The District's existing water supply facilities are currently capable of serving approximately 7,198 ESFCs. Therefore, the District's existing water supply facilities appear adequate to serve the existing 6,636 ESFCs within the District including the existing 801 ESFCs within the Defined Area that the engineering feasibility of the bond issue is based.

Wastewater Treatment

The Brushy Creek Regional Wastewater Treatment Plant provides wastewater treatment for the Defined Area as well as for the entire District. The plant, constructed by the Lower Colorado River Authority (LCRA) for the purpose of providing wholesale wastewater collection and treatment for the customers within its service area, was purchased by the Cities of Round Rock, Cedar Park, and Austin on September 10, 2009. Texas Pollutant Discharge Elimination System permit no. WQ0010264002 authorizes the plant to discharge a final flow of 21.5 MGD. Pursuant to the "Wastewater Service Agreement" dated December 8, 2009, the District has a contractual flow commitment in the plant of 1.85 MGD and a reserved capacity in its lines to provide wastewater service for 7,129 ESFCs.

Therefore, the District's existing wastewater treatment capacity of 7,129 ESFCs appears adequate to serve the existing 6,186 ESFCs (6,636 water ESFCs less 229 irrigation meter ESFCs less 221 ESFCs for out-of-district water customers with homes on septic systems) within the District including the existing 801 ESFCs within the Defined Area that the engineering feasibility of the bond issue is based.

Storm Water Drainage

Storm water within the Sendero Springs and Brushy Creek North is collected by open roadside ditches, culverts and open channels, or underground systems, and/or detention ponds which naturally discharge into Onion Creek or Honey Bear Creek and then Brushy Creek.

Storm water within the northern part of the southern portion of the District flows through a system of underground piping and ditches which outfalls into Brushy Creek. The drainage from the smaller part of the southern District is collected by underground piping, open roadside ditches, and natural drainage ways to Lake Creek.

Purchase of Facilities and/or Assumption of Existing Contracts

<u>Project Description</u>	<u>Contractor</u>	<u>% Complete (Date)</u>	<u>Contract Amount⁽¹⁾</u>	<u>Amt. Subj. to Dist. Contrib.⁽²⁾</u>
Sendero Springs Section 7 -- W, WW, & D	Austin Engineering Co.	100% (2/19/2013)	\$1,717,737	\$1,685,382 ⁽³⁾ \$521,404 ⁽⁴⁾
The Enclave at Highland Horizon -- W, WW, & D	Cash Construction	100% (4/9/2013)	\$1,386,375	\$1,346,751 ⁽⁵⁾ \$692,726 ⁽⁶⁾

Justin P. Taack, Manager

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February 25, 2015

Highland Horizon Phase III
-- W, WW, & D

Central Road & Utility,
Ltd.

100%
(12/4/2014)

\$2,038,277

\$2,002,759⁽⁷⁾
\$1,401,931⁽⁸⁾

Notes: (1) Based on original contract amount plus or minus any change orders and final quantity adjustments.

(2) Amount attributable to Defined Area.

(3) Final contract amount of \$1,717,737, less \$32,355 for the developer's share of street excavation.

(4) Due to funding limitation only \$521,404 of the eligible amount is requested for funding in this bond application. The remaining \$505,614 eligible amount (\$1,685,382 less \$658,364 funded in fourth bond issue less \$521,404 requested for funding this bond issue) may be requested in a future application.

(5) Final contract amount of \$1,386,375, less \$39,624 for the developer's share of street excavation.

(6) Due to funding limitation only \$692,726 of the eligible amount is requested for funding in this bond application. The remaining \$404,025 eligible amount (\$1,346,751 less \$250,000 funded in fourth bond issue less \$692,726 requested for funding this bond issue) may be requested in a future application.

(7) Final contract amount of \$2,038,277, less \$35,519 for the developer's share of street excavation.

(8) Due to funding limitation only \$1,401,931 of the eligible amount is requested for funding in this bond application. The remaining \$600,828 eligible amount (\$2,002,759 less \$1,401,931 requested for funding this bond issue) may be requested in a future application.

Preconstruction agreements, approved plans and specifications, plats, various construction contract documents, have been provided.

Facilities to be Constructed

None.

Inspection

The District was inspected by a member of the Utilities and Districts Section staff on January 17, 2015. Streets and utilities appeared to be complete within the project included in the funding and feasibility of this bond issue. District name signs were properly posted.

D. SUMMARY OF COSTS

Construction Costs

	<u>Total Amount</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items		
1. Sendero Springs Section 7 – W, WW, & D	1,685,382	521,404
2. The Enclave at Highland Horizon – W, WW, & D	1,346,751	692,726
3. Highland Horizon Phase III – W, WW, & D	2,002,759	1,401,931
4. Engineering (16.9% of Items 2 & 3)	566,847	396,792
5. Electrical Service to Lift Station	7,674	5,372
Total Developer Contribution Items	\$ 5,609,413	\$ 3,018,225
B. District Items		
None		\$ -0-
TOTAL CONSTRUCTION COSTS (85.5% of Bond Issue Requirement)		\$ 3,018,225

Non-construction Costs

A. Legal Fees (1%)	\$ 35,300 ⁽²⁾
B. Fiscal Agent Fees (1.4%)	50,300 ⁽³⁾
C. Interest	
1. Capitalized Interest	-0-
2. Developer Interest	202,679 ⁽⁴⁾
D. Bond Discount (3%)	105,900
E. Bond Issuance Expenses	67,241
F. Bond Engineering Report	38,000

G. Attorney General's Fee (0.10%)	3,530
H. TCEQ Bond Issuance Fee (0.25%)	<u>8,825</u>
TOTAL NON-CONSTRUCTION COSTS	\$ <u>511,775</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 3,530,000

- Notes: (1) Represents 70% of eligible costs pursuant to 30 TAC § 293.47.
(2) Pursuant to the contract provided fees are 1% of the total bonds issued, with a \$20,000 minimum.
(3) Pursuant to the contract provided, fees for bond amounts less than \$3,000,000 are based on \$15.00 per \$1,000 of bonds issued. Fees for bond amounts greater than \$3,000,000 are based on \$10.00 per \$1,000 of bonds issued.
(4) Based on an estimated interest rate of 4.5% and a reimbursement date of May 15, 2015 or two years maximum in accordance with 30 TAC § 293.50(a).

E. SPECIAL CONSIDERATIONS

None.

F. CONCLUSIONS

1. Based on \$24,500,000 in unlimited tax bonds approved by voters within the Defined Area on February 2, 2002, and \$10,255,000 previously approved by the TCEQ (assuming rescission of \$570,000 in unissued bonds) and issued for the Defined Area, the District has sufficient voter authorized bonds (\$14,245,000) for the proposed bond issue.
2. Based on the review of the engineering report, plans, specifications, and supporting documents, the project is considered feasible and meets the criteria established by the TCEQ's economic feasibility rules, 30 TAC § 293.59.
3. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Approve the bond issue in the requested amount of \$3,530,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 4.71%.
2. Direct the District that it may purchase an additional portion of the Sendero Springs Section 7 and Enclave at Highland Horizon projects without the need for a pre-purchase inspection pursuant to 30 TAC § 293.69.
3. Standard recommendations regarding developer interest, consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.
4. Rescind approval of \$570,000 in unissued bonds out of \$4,070,000 originally approved on June 28, 2013.

TCEQ Interoffice Memorandum

To: Justin Taack, Section Manager, Utilities and Districts Section
Thru: Carolyn Runyon, Water Section Manager, Austin Region Office
From: Wallace Myers, Environmental Investigator, Austin Region Office
Date: April 10, 2015
Subject: **Request for Pre-Purchase Inspection, Brushy Creek Municipal Utility District, \$3,530,000 Bond Application No. 5**

On April 2, 2015, a pre-purchase inspection was conducted regarding the above request. Mr. Jeff Crawford, P.E., Jones-Heroy & Associates, Inc. participated. The facilities consist of:

1. Highland Horizon Phase III Water (W), Wastewater (WW) and Drainage (D).

Item 1) W and WW facilities serving Highland Horizon Phase III were observed. W facilities included water utility lines and fire hydrants. WW facilities consisted of sanitary sewer lines with manhole access points and D facilities included street gutters, storm water inlets, and underground storm water conveyances with manhole access points. D facilities also included two Water Quality (WQ) ponds. One pond is located northeast of the intersection of Great Oaks Drive and Ranch-to-Market Road 620. The pond is approximately 0.60 acres and included vegetated earthen berms with portions of the berms consisting of dimension stone retaining walls. The pond included a rock rip-rap spillway and one concrete outfall with rock rip-rap at the base for velocity control and a dimension stone headwall. It appeared that some of the soil was missing where the dimension stone headwall of the outfall meets the earthen berm. A second WQ pond is located northwest of the intersection of Great Oaks Drive and O'Connor Drive. The pond is approximately 0.30 acres and also included vegetated earthen berms, dimension stone retaining walls, one concrete outfall with a rock rip-rap base and dimension stone headwall, and a rock rip-rap spillway.

The observed facilities appear to correspond with the plans provided with no construction deficiencies and the observations noted above. If you or members of your staff have any questions, please contact me at the Austin Region Office at (512) 339-2929 or at wallace.myers@tceq.texas.gov



Wallace Myers

cc: Mr. Jeff Crawford, P.E., Jones-Heroy & Associates, Inc. (email)

CERTIFICATE FOR ORDER

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

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

The Board of Directors of the District convened in REGULAR MEETING ON THE 23RD DAY OF APRIL, 2015, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

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

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

ORDER AUTHORIZING THE ISSUANCE OF \$3,530,000 BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2013; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; AWARDDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

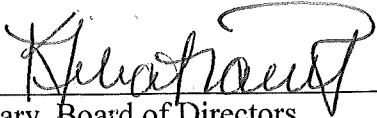
was duly introduced for the consideration of the Board. It was then duly moved and seconded that the Order be passed; and, after due discussion, the motion, carrying with it the passage of the Order, prevailed and carried by the following vote:

AYES: 5
NOES: 0

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 April 23, 2015.


Secretary, Board of Directors


President, Board of Directors

(SEAL)

**ORDER AUTHORIZING THE ISSUANCE OF \$3,530,000 BRUSHY
CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND
CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES
2015; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS;
APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE
EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT;
AWARDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER
MATTERS RELATED TO THE ISSUANCE OF THE BONDS**

Adopted April 23, 2015

ORDER AUTHORIZING THE ISSUANCE OF \$3,530,000 BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2015; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; AWARDED THE SALE OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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ORDER AUTHORIZING THE ISSUANCE OF \$3,530,000 BRUSHY CREEK MUNICIPAL UTILITY DISTRICT SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS, SERIES 2015; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT; AWARDING THE SALE OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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

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

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

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

of serving the Sendero Springs and Cornerstone Defined Area, and for refunding bonds and/or other obligations issued for any of the foregoing purposes in an amount not to exceed one and one-half times the amount of bonds and/or other obligations hereafter issued and to provide for the payment of principal and interest on such bonds by the levy and collection annually of a sufficient ad valorem tax upon all taxable property within said Sendero Springs and Cornerstone Defined Area, as authorized by the constitution and laws of the State of Texas, including particularly (but not by way of limitation) chapters 49 and 54, Texas Water Code, as amended, together with all amendments and additions thereto and shall the Board of Directors of Brushy Creek Municipal Utility District be authorized to levy and collect a maintenance tax not to exceed fifty-six cents (\$.56) per \$100 valuation on all taxable property within said Sendero Springs and Cornerstone Defined Area to secure funds for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of such defined area, and for the payment of proper services, engineering and legal fees, organization and administrative expenses; and

WHEREAS, the District has received approval from the Commission to issue \$3,530,000 in bonds to finance (1) water, wastewater and drainage facilities serving Sendero Springs Section 7 and Enclave at Highland Horizon utilities; (2) water, wastewater and drainage facilities serving Highland Horizon Phase III; (3) developer interest; and (4) certain costs associated with the issuance of the Bonds; and

WHEREAS, the Board of Directors of the District deems it necessary and advisable at this time to issue \$3,530,000 bonds approved by the Commission pursuant to Chapters 49 and 54 of the Texas Water Code and the Bond Election authorization and reserving the right in the future to issue the remaining \$10,715,000 of bonds authorized at the Bond Election.

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

**ARTICLE ONE
PREAMBLE**

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

**ARTICLE TWO
DEFINITIONS AND INTERPRETATIONS**

SECTION 2.01. DEFINITIONS. When used in this Bond Order, except in Article Six, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall

have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

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

"Authorized Investments" means authorized obligations as set forth in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

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

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

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

"Commission" means the Texas Commission on Environmental Quality or its successor.

"Commission Order" means the order signed March 12, 2015 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

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

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

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

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

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

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

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Sections 3.02 and 6.01 of this Bond Order.

"Interest Payment Date" means a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on December 1, 2015, and semi-annually on each June 1 and December 1 thereafter until the earlier of maturity or redemption.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Policy" means the municipal bond insurance policy provided by the Insurer relating to the Bonds.

"Record Date" means, with respect to an Interest Payment Date of June 1, the preceding May 15, and with respect to an Interest Payment Date of December 1, the preceding November 15, whether or not such dates are business days.

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

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

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

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

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

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

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

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

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

ARTICLE THREE AUTHORIZATION, REGISTRATION, EXECUTION, AND AUTHENTICATION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION. Each Bond issued pursuant to this Bond Order shall be known and designated as "Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bond, Series 2015" and the Bonds shall be issued in the aggregate principal amount of \$3,530,000 to finance (1) water, wastewater and drainage facilities serving Sendero Springs Section 7 and Enclave at Highland Horizon utilities; (2) water, wastewater and drainage facilities serving Highland Horizon Phase III; (3) developer interest; and (4) certain costs associated with the issuance of the Bonds.

SECTION 3.02. FORM, DATE, NUMBERS, AND DENOMINATION. The Bonds shall be issued and delivered in fully registered form without coupons, and may be transferred and exchanged after initial delivery as provided in Article Four of this Bond Order. The Bonds shall be dated May 1, 2015. There shall be one Initial Bond numbered T-1 and delivered to the Attorney General. Bonds registered and delivered by the Registrar subsequent to the Initial Bonds shall be numbered by the Registrar R-1 upward and no two Bonds shall be given the same number. The Bonds registered and delivered subsequent to the Initial Bond shall be in principal denominations of \$5,000 or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. Bonds shall bear interest from May 1, 2015, at the rate or rates set forth in the following schedule on the basis of a 360 day year composed of twelve 30-day months, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Five hereof, on June 1 in each of the years and in the principal amounts set forth in the schedule below:

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>
2016	\$ 80,000	2.000%	2028	*****	*****
2017	95,000	2.000	2029	\$295,000	3.250%
2018	100,000	2.000	2030	*****	*****
2019	100,000	2.000	2031	315,000	3.250
2020	105,000	2.000	2032	*****	*****
2021	110,000	3.000	2033	345,000	3.500
2022	115,000	3.000	2034	*****	*****
2023	120,000	3.000	2035	375,000	3.500
2024	*****	*****	2036	*****	*****
2025	255,000	3.000	2037	405,000	3.625
2026	*****	*****	2038	*****	*****
2027	275,000	3.000	2039	440,000	3.750

SECTION 3.04. PAYMENT OF PRINCIPAL AND INTEREST. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at a corporate trust office of the Registrar. The interest on each Bond shall be payable on December 1, 2015, and semiannually thereafter on June 1 and December 1 of each year by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

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

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

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

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

SECTION 3.08. EXECUTION OF BONDS. The Bonds shall be signed on behalf of the District by the President of the Board of Directors and attested by the Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

SECTION 3.09. AUTHENTICATION. The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the

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

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

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

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

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

ARTICLE FOUR REGISTRATION, TRANSFER, AND EXCHANGE

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

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

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

benefits and security of this Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

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

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

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

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

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond which such replacement Bond was issued presents for payment such original Bond, the District and the

Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Registrar in connection there with.

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

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

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

ARTICLE FIVE REDEMPTION OF BONDS BEFORE MATURITY

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

ARTICLE SIX FORM OF BOND

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

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

NO. R-

**PRINCIPAL
AMOUNT**

\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

May 1, 2015

REGISTERED OWNER:

PRINCIPAL AMOUNT:

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

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at Wells Fargo Bank, N.A. which is the "Registrar" or "Paying Agent/Registrar" for this Bond at its designated office for payment in Dallas, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such interest payment date, drawn by the Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the

fifteenth (15th) calendar day of the month next preceding each such date (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

THIS BOND is one of a series of Bonds dated as of May 1, 2015 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$3,530,000 TO FINANCE (1) WATER, WASTEWATER AND DRAINAGE FACILITIES SERVING SENDERO SPRINGS SECTION 7 AND ENCLAVE AT HIGHLAND HORIZON UTILITIES; (2) WATER, WASTEWATER AND DRAINAGE FACILITIES SERVING HIGHLAND HORIZON PHASE III; (3) DEVELOPER**

INTEREST; AND (4) CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.

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

THE BONDS MATURING ON JUNE 1, 2025, June 1, 2027, June 1, 2029, June 1, 2031, June 1, 2033, June 1, 2035, June 1, 2037 and June 1, 2039 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

Term Bond Maturing on June 1, 2025

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2024	\$125,000
June 1, 2025*	130,000

*Final Maturity

Term Bond Maturing on June 1, 2027

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2026	\$135,000
June 1, 2027*	140,000

*Final Maturity

Term Bond Maturing on June 1, 2029

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2028	\$145,000
June 1, 2029*	150,000

*Final Maturity

Term Bond Maturing on June 1, 2031

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2030	\$155,000
June 1, 2031*	160,000

*Final Maturity

Term Bond Maturing on June 1, 2033

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2032	\$170,000
June 1, 2033*	175,000

*Final Maturity

Term Bond Maturing on June 1, 2035

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2034	\$185,000
June 1, 2035*	190,000

*Final Maturity

Term Bond Maturing on June 1, 2037

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2036	\$200,000
June 1, 2037*	205,000

*Final Maturity

Term Bond Maturing on June 1, 2039

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2038	\$215,000
June 1, 2039*	225,000

*Final Maturity

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

the Interest and Sinking Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

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

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the principal denomination in the case of the Bonds, of any integral multiple of \$5,000. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among

other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Registrar shall not be required to make any such transfer, conversion or exchange of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) within 45 calendar days prior to its redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

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

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

THE BONDS are issued pursuant to the Bond Order, where under the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the Defined Area of the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Order, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as

more specifically provided in the Bond Order. Reference is hereby made to the Bond Order for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owners of the Bonds. By acceptance of this Bond the Registered Owner hereof consents to all of the provisions of the Bond Order, a certified copy of which is on file in the office of the District.

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

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

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to

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

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

**BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT**

Secretary, Board of Directors

President, Board of Directors

(SEAL)

INSERTIONS FOR THE INITIAL BOND

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

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

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

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

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>
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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 May 1, 2015 at the respective Interest Rate per annum specified above. Interest is payable on December 1, 2015 and semiannually on each June 1 and December 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

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

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

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

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

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an

**executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

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

Dated: _____

WELLS FARGO BANK, N.A.
Registrar

By. _____
Authorized Representative

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

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

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

NOTICE: The signature above must correspond with the name of the Registered Owner in every particular, without alteration or enlargement or any change what so ever.

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

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

ARTICLE SEVEN SECURITY OF THE BONDS

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

SECTION 7.02. LEVY OF TAX. (a) To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes, there is hereby levied, and there shall be assessed and collected in due time, a continuing, direct annual ad valorem tax without limit as to rate or amount on all taxable property within the Defined Area of the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund, and the aforementioned tax and such payments into such fund shall continue until the Bonds and the interest thereon have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal when due, full allowance being made for delinquencies and costs of collection, together with revenues and receipts from other sources that are legally available for such purpose, shall be levied and collected and applied to the payment of principal and interest on the Bonds, as follows:

- (1) By September 1 in each year, or as soon thereafter as practicable, the Board shall consider the taxable property within the Defined Area of the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property within the Defined Area of the District.

- (2) In determining the actual rate to be levied in each year, the Board shall consider among other things:
- (I) the amount which should be levied for maintenance and operation purposes;
 - (ii) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes;
 - (iii) the amount which should be levied for the purpose of paying all other contractual obligations of the District payable in whole or in part from the Defined Area taxes; and
 - (iv) the percentage of anticipated tax collections and the cost of collecting the taxes.
- (3) In determining the amount of taxes which should be levied each year, the Board shall consider whether proceeds from the sale of Bonds have been placed in the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund to pay interest on the Bonds and whether the Board reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

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

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

SECTION 7.04. CONSOLIDATION OR DISSOLUTION OF DISTRICT. To the extent provided by law, the pledge of taxes set forth in Section 7.02 will terminate if a city takes

over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

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

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

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

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

ARTICLE EIGHT FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01. CREATION OF FUNDS. The Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund are hereby created or confirmed. Each fund shall be kept separate and apart from all other funds of the District. The Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund shall constitute a trust fund which shall be held in trust by the District for the benefit of the holders of the Bonds.

SECTION 8.02. SERIES 2015 SENDERO SPRINGS AND CORNERSTONE DEFINED AREA CAPITAL PROJECTS FUND. The Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall comprise the capital improvements fund of the Defined Area of the District. The District shall deposit to the credit of the Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposit to the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund provided in Section 9.02 of this Order. The Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall be applied solely to pay (i) the costs necessary or appropriate to accomplish such of the purposes for which the Bonds are issued as approved by the Commission with any surplus proceeds subject to the Commission's rules and (ii)

the costs of issuing the Bonds. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 3.01 of this Order and the Bond Election, any interest earnings remaining on hand shall be deposited in the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.03. SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor or the Federal Savings and Loan Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

SECTION 8.04. DEBT SERVICE FUND; TAX LEVY. The District shall deposit or cause to be deposited into the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund the aggregate of the following at the time specified:

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

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing, direct annual ad valorem tax upon all taxable property within the Defined Area of the District sufficient to pay the current interest on the Bonds as the same becomes due, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. On or before the date for payment of the principal and/or Interest Payment Date on the Bonds, the Board of Directors shall cause the transfer of moneys out of the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund to the Registrar in an amount not less than that which is sufficient to pay the principal which matures on such date and the interest which accrues on such date. The District shall pay fees and charges of the Registrar for its services as paying agent and registrar for the Bonds from the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 8.05. INVESTMENTS; EARNINGS. Moneys deposited into the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund and the Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Series 2015 Sendero Springs and Cornerstone Defined Area Debt

Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

**ARTICLE NINE
APPLICATION OF BOND PROCEEDS**

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

SECTION 9.02. ACCRUED INTEREST. Moneys received from the purchaser of the Bonds representing accrued interest on the Bonds from their date to the date of their actual delivery shall be deposited into the Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund.

SECTION 9.03. CAPITAL PROJECTS. Proceeds of the Bonds necessary to complete the purposes set forth in Section 3.01 herein and to pay the costs of issuance of the Bonds shall be deposited in the Series 2015 Sendero Springs and Cornerstone Defined Area Capital Projects Fund. Any surplus bond proceeds after completion of the projects authorized in the Commission Order, shall be subject to the Commission rules.

**ARTICLE TEN
PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION**

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

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

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

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

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

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

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

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

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

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

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

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

paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

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

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

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

bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

ARTICLE ELEVEN ADDITIONAL BONDS AND REFUNDING BONDS

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

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

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

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

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

**ARTICLE TWELVE
DEFAULT PROVISIONS**

SECTION 12.01. 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:

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

(ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this 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.

(i) 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.

(ii) 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.

(i) 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.

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

(iii) 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 Order do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the District or the Board of Directors.

(iv) 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 an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as

aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

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

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

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

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

**ARTICLE FOURTEEN
MISCELLANEOUS PROVISIONS**

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

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

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

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

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

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

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

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

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

**ARTICLE FIFTEEN
SALE AND DELIVERY OF BONDS AND APPROVAL OF DOCUMENTS**

SECTION 15.01. SALE OF BONDS. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to City Securities Corp. at a price of 97.348527% (\$3,436,403) of the par amount plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Chapter 1204, Government Code, as amended is 3.587530%. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Initial Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Bonds shall initially be registered in the name of City Securities Corp.

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

SECTION 15.03 APPROVAL OF OFFERING DOCUMENTS AND PAYING AGENT/REGISTRAR AGREEMENT. A "Notice of Sale and Bidding Instructions", an "Official Bid Form", and a "Preliminary Official Statement", dated March 26, 2015 were prepared and distributed in connection with the sale of the Bonds (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use in the offer and sale of the Bonds is hereby approved.

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

**ARTICLE SIXTEEN
OPEN MEETING AND EFFECTIVE DATE**

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

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

**ARTICLE SEVENTEEN
AMENDMENTS**

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

- (1) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (2) reduce the rate of interest borne by any of the outstanding Bonds;

(3) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;

(4) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;

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

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

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

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

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

(e) Consent of Registered Owners. Any consent given by a Registered Owners pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the

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

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

ARTICLE EIGHTEEN CONTINUING DISCLOSURE UNDERTAKING

Section 18.01. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within twelve months after the end of each fiscal year, financial information and operating data with respect to the District of the general type described in Exhibit "C" hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "C" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available

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

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

(b) 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 Bonds no longer to be outstanding.

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

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

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

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

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

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

ARTICLE NINETEEN OTHER ACTIONS

SECTION 19.01. OTHER ACTIONS. The President or Vice President and Secretary of the Board of Directors of the District, the General Manager and all other officers, employees and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the District all instruments as may be necessary or desirable in order to carry out the terms and provisions of this Bond Order, the Bonds, the sale of the Bonds and the Official Statement.

ARTICLE TWENTY PAYMENT OF THE ATTORNEY GENERAL FEE

SECTION 20.01. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a check equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

EXHIBIT "A"

METES AND BOUNDS DESCRIPTION

FIELD NOTES FOR 193.898 ACRES

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

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

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

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

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

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

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

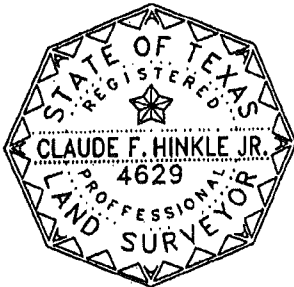
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

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

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

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

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



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

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

Date 25 September 01

FIELD NOTES FOR 222.785 ACRES

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

PARCEL "A" (27.239 ACRES)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PARCEL "B" (1.572 ACRES)

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

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

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

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

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

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

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

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

PARCEL "C" (193.974 ACRES)

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

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

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

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

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

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

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

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

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

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

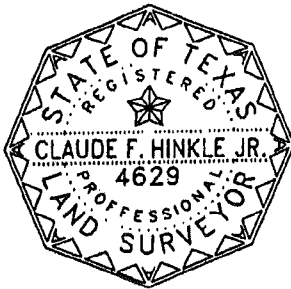
THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

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

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

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

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



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

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

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

Date

FIELD NOTES FOR 193.898 ACRES

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

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

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

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

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

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

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

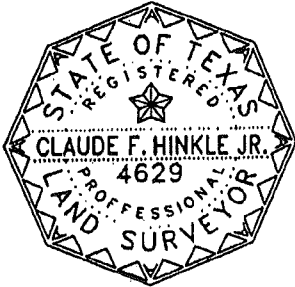
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

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

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

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

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



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

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

Date 25 September 01

EXHIBIT "B"

PAYING AGENT/REGISTRAR AGREEMENT

[See Separate Tab of this Transcript]

EXHIBIT "C"

CONTINUING DISCLOSURE

1. All quantitative financial information and operating data with respect to the District of the general type included under the heading "DEFINED AREA DEBT" (except Estimated Overlapping Debt Statement), and "TAX DATA."
2. Appendix A (Audited Financial Statements of the District) in the Official Statement.

Accounting Principles

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

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT dated as of May 1, 2015 ("Agreement"), by and between the Brushy Creek Municipal Utility District (the "Issuer"), and Wells Fargo Bank, N.A., a national association duly organized and existing under the laws of the United States of America ("Bank").

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of bonds to be issued only in registered form, as to payment of principal and interest thereon in an aggregate principal amount of \$3,530,000 and titled Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Securities"); and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about May 21, 2015; and

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

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

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

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

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

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 designated office of the Bank as indicated on the signature page herein. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

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

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

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

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

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

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

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

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

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

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

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

Section 2.02. Other Definitions.

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

Section 3.03. 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 Holders and the Internal Revenue Service any amount of acquisition premium, interest paid on, original issue discount or adjusted basis of the Securities.

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"), and, if the Bank Office is located outside the State of Texas, a copy of such books and records shall be kept in the State of Texas; for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

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

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

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

Section 4.02. Securities.

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

Section 4.03. Form of 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 Bond Register in any form other than those which the Bank has currently available and currently utilizes at the time.

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

Section 4.04. List of Security Holders.

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

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

Section 4.05. Return of Canceled Securities.

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

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

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

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (1) 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 or the Issuer.

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, bond, 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, bond, 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 Bond, or any other Person for any amount due on any Bond from its own funds.

Section 5.04. May Hold Securities.

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

Section 5.05. Moneys Held by Bank.

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

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

Section 5.06. Indemnification.

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

Section 5.07. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State Issuer 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 September 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.

Attached hereto is a copy of the Blanket Issuer Letter of Representations between the Issuer and The Depository Trust Company, New York, New York, providing for the Bonds to be issued in a Book-Entry-Only System. The Bank and the Issuer hereby confirm their obligations under such Letter of Representation.

**ARTICLE SIX
MISCELLANEOUS PROVISIONS**

Section 6.01. Amendment.

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

Section 6.02. Assignment.

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

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or

delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04. Effect of Headings.

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

Section 6.05. Successors and Assigns.

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

Section 6.06. Severability.

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

Section 6.07. Benefits of Agreement.

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

Section 6.08. Entire Agreement.

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

Section 6.09. Counterparts.

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

Section 6.10. Termination.

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

not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer. The Bank agrees that no termination fee or other charge not specifically provided for in this Agreement will be due or payable by the Issuer in connection with any early termination of this Agreement.


The provisions of Sections 1.02, 5.02, 5.03 and 5.06 of this Agreement shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law.

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

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

WELLS FARGO BANK, N.A.

By: 
Title: Assistant Vice President
N9311-115
625 Marquette Ave S- 11th Floor East
Minneapolis, MN 55479

**BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT**

By: Rebecca Jullow
/ President

16318 Great Oaks Drive
Round Rock, Texas 78681-2506

SCHEDULE A

Corporate Trust Services

Schedule of fees to provide registrar and paying agent services

**WELLS
FARGO**

Brushy Creek Municipal Utility District of Williamson County, Texas Sendero Springs & Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Acceptance fee **\$1,000.00**

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

Paying agent annual administration fee **\$1,000.00**

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

Out-of-pocket expenses **At cost**

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

Extraordinary services **Standard rate**

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

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

Assumptions

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

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

Terms and conditions

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

Together we'll go far



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

Brushy Creek Municipal Utility District of Williamson County, Texas
Sendero Springs & Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

its confirmation that all terms and conditions pertaining to its role are satisfactory to it and (4) execution of the governing documents by all applicable parties.

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

Important information about identifying our customers

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

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

Contact information

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

Dated: March 26, 2015

OID: C726014



Blanket Issuer Letter of Representations

[To be Completed by Issuer]

Brushy Creek Municipal Utility District

[Name of Issuer]

November 1, 2001

[Date]

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

Ladies and Gentlemen:

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

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

Note:

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

Very truly yours,

Brushy Creek Municipal Utility District

(Issuer)

By: *James W. Griffith*

(Authorized Officer's Signature)

James W. Griffith, President

(Print Name)

901 Great Oaks Drive

(Street Address)

Round Rock

(City)

Texas

(State)

78681

(Zip Code)

(512) 255-7871

(Phone Number)

Received and Accepted

THE DEPOSITORY TRUST COMPANY

Debra Russo

By: _____

(To Blanket Issuer Letter of Representations)

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

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

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

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

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

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

CERTIFICATE FOR RESOLUTION

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

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

The Board of Directors of the District convened in REGULAR MEETING ON THE 26TH DAY OF MARCH, 2015, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

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

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

**RESOLUTION APPROVING PRELIMINARY OFFICIAL STATEMENT,
AUTHORIZING DISTRIBUTION OF PRELIMINARY OFFICIAL
STATEMENT AND PUBLICATION OF NOTICE FOR
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015**

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

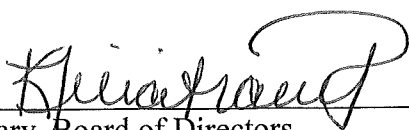
AYES: 5

NOES: 0


A true, full and correct copy of the aforesaid Resolution passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Resolution has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the

Resolution would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

SIGNED AND SEALED this March 26, 2015.



Secretary, Board of Directors



President, Board of Directors

(SEAL)

**RESOLUTION APPROVING PRELIMINARY OFFICIAL STATEMENT,
AUTHORIZING DISTRIBUTION OF PRELIMINARY OFFICIAL
STATEMENT AND PUBLICATION OF NOTICE FOR
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015**

WHEREAS, the Board of Directors of the District has authorized the District's financial advisor, RW Baird (the "Financial Advisor"), to prepare a Preliminary Official Statement and Office Notice of Sale and Official Bid Form (the "Preliminary Official Statement") in connection with the issuance of Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"); and

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BRUSHY CREEK MUNICIPAL UTILITY DISTRICT THAT:

Section 1. APPROVAL AND DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENT. The Board hereby approves the Preliminary Official Statement substantially in the form attached hereto as Exhibit "A" with such changes, additions or deletions as authorized by the Board, acting by and through the General Manager. The District's Financial Advisor is hereby authorized and directed to distribute the Preliminary Official Statement to potential purchasers of the Bonds and make application to the appropriate bond insurance companies and rating agencies.

Section 2. PUBLICATION OF NOTICE OF SALE. The District's Bond Counsel is hereby authorized to publish a Notice of Sale of the Bonds in substantially the form attached hereto as Exhibit "B" with such sale date information as agreed to by the General Manager.

Section 3. OTHER MATTERS. The General Manager is authorized to do all things proper and necessary to carry out the intent hereof, including the approval of appropriate changes to the Preliminary Official Statement and the Notice of Sale.

Section 4. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of each series of the Bonds or (ii) \$9,500 per series, 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 for each series of Bonds. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also

authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

EXHIBIT "A"

Preliminary Official Statement

[See Separate Tab of this Transcript]

EXHIBIT "B"

**NOTICE OF SALE
BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015
(A political subdivision of the State of Texas located
in Williamson County, Texas)
\$3,530,000**

Selling: _____ day, _____, 2015 at _____ p.m., C.D.T.
Bids Due: _____ p.m., C.D.T.

Place and Time of Sale: The District will consider awarding the sale of the Bonds on _____ day, _____, 2015 at 6:00 p.m., C.D.T., at the designated meeting place inside the boundaries of the District, at Brushy Creek Municipal Utility District Offices, 16318 Great Oaks Drive, Round Rock, Texas 78681-5685. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a Bank Cashier's Check in the amount of \$70,600 payable to the order of Brushy Creek Municipal Utility District as a good faith deposit to RW Baird, 700 Milam Street, Suite 1300, Houston, Texas 77002, by _____ p.m., C.D.T., on the date of the sale.

Address of the Bids/Bids Delivered in Person: Written bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Brushy Creek Municipal Utility District, and if delivered in person, delivered to Jan Bartholomew, RW Baird, 700 Milam Street, Suite 1300, Houston, Texas 77002, by _____ p.m., C.D.T., on _____ day, _____, 2015. All bids must be signed and submitted on the "Official Bid Form."

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by _____ p.m., C.D.T., on _____ day, _____, 2015 as described in the "Official Notice of Sale" described below.

Bid by Telephone/Facsimile: Telephone/facsimile bids will be accepted by _____ p.m., C.D.T., on _____ day, _____, 2015 and any prospective bidder must contact Jan Bartholomew at RW Baird to obtain the telephone or facsimile number to be used as provided in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale," "Official Bid Form" and the "Preliminary Official Statement" which may be obtained from RW Baird, 700 Milam Street, Suite 1300, Houston, Texas 77002, Financial Advisor to the District.

The bidder whose bid is the winning bid in accordance with the Notice of Sale will be notified immediately. Bidders must submit a SIGNED Official Bid Form in connection with the sale on _____ day, _____, 2015 by _____ .m. to Jan Bartholomew.

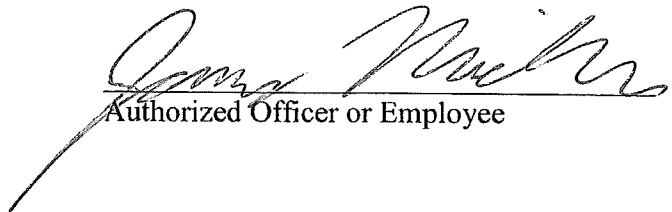
The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale," "Preliminary Official Statement" and the "Official Bid Form."

Board of Directors
Brushy Creek Municipal Utility District

AFFIDAVIT OF PUBLICATION

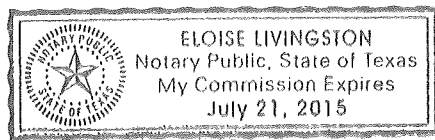
THE STATE OF TEXAS :
COUNTY OF WILLIAMSON :
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT :

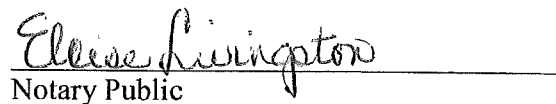
BEFORE ME, a Notary Public in and for the State of Texas, on this day personally appeared the person whose name is subscribed below, who, having been duly sworn, says upon oath that he or she is a duly authorized Officer or employee of the *Austin-American Statesman*, which is a newspaper as defined in Section 2051.044, Government Code, as amended, and which is of general circulation in the District; and that a true and correct copy of the **NOTICE OF SALE**, a clipping of which is attached to this affidavit, was published in said Newspaper on April 2, 2015.


Authorized Officer or Employee

SUBSCRIBED AND SWORN TO BEFORE ME on the 2 day of April, 2015.

(SEAL)




Notary Public

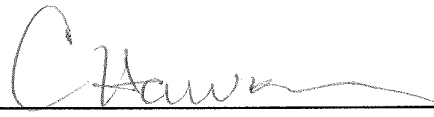
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COUNTY OF TRAVIS X
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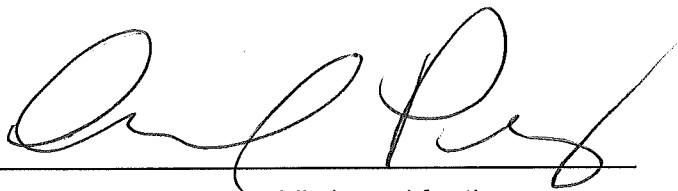
Before me, the undersigned authority, on this date personally appeared Charlotte Hawkins, who, having been by me duly sworn, upon her oath deposes and says;

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

The attached is a true and correct copy of NOTICE OF SALE - BRUSHY CREEK MUD, \$3,530,000 U/L TAX BDS SER 2015 was published in the TEXAS BOND REPORTER on the following date(s), to wit: April 03, 2015.

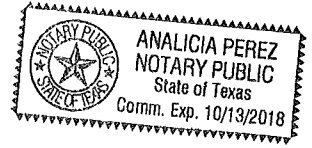


Sworn to and subscribed before me this the 3rd day of April A.D. 2015



Notary Public in and for the
State of Texas

My commission expires: 10-13-2018



**NOTICE OF SALE
BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015**
(A political subdivision of the State of Texas located
in Williamson County, Texas)
\$3,530,000

Selling: Thursday, April 23, 2015 at 6:00 p.m., C.D.T.
Bids Due: 2:00 p.m., C.D.T.

Place and Time of Sale: The District will consider awarding the sale of the Bonds on Thursday, April 23, 2015 at 6:00 p.m., C.D.T., at the designated meeting place inside the boundaries of the District, at Brushy Creek Municipal Utility District Offices, 16318 Great Oaks Drive, Round Rock, Texas 78681-5685. Action will be taken immediately by the Board of Directors of the District to accept or reject the best bid. Each bidder must deliver a Bank Cashier's Check in the amount of \$70,600 payable to the order of Brushy Creek Municipal Utility District as a good faith deposit to Robert W. Baird & Co., 700 Milam Street, Suite 1300, Houston, Texas 77002, by 2:00 p.m., C.D.T., on the date of the sale.

Address of the Bids/Bids Delivered in Person: Written bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Brushy Creek Municipal Utility District, and if delivered in person, delivered to Jan Bartholomew, Robert W. Baird & Co., 700 Milam Street, Suite 1300, Houston, Texas 77002, by 2:00 p.m., C.D.T., on Thursday, April 23, 2015. All bids must be signed and submitted on the "Official Bid Form."

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 2:00 p.m., C.D.T., on Thursday, April 23, 2015 as described in the "Official Notice of Sale" described below.

Bid by Telephone: Telephone bids will be accepted by 2:00 p.m., C.D.T., on Thursday, April 23, 2015 and any prospective bidder must contact Jan Bartholomew at Robert W. Baird & Co. to obtain the telephone number to be used as provided in the "Official Notice of Sale" described below.

Information: The Bonds are more completely described in the "Official Notice of Sale," "Official Bid Form" and the "Preliminary Official Statement" which may be obtained from Robert W. Baird & Co., 700 Milam Street, Suite 1300, Houston, Texas 77002, Financial Advisor to the District.

The bidder whose bid is the winning bid in accordance with the Notice of Sale will be notified immediately. Bidders must submit a SIGNED Official Bid Form in connection with the sale by 2:00 p.m., Thursday, April 23, 2015 to Jan Bartholomew.

The District reserves the right to reject any or all bids for the Bonds and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale," "Preliminary Official Statement" and the "Official Bid Form."

Board of Directors
Brushy Creek Municipal Utility District

LEGAL NOTICE

OFFICIAL STATEMENT DATED APRIL 23, 2015

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CORPORATIONS.

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

NEW ISSUE – Book-Entry-Only

Moody's Investors Service (unenhanced)....."A2"
 Standard & Poor's (AGM)..... "AA" (Stable Outlook)
 KBRA (AGM)....."AA+" (Stable Outlook)

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

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

Dated: May 1, 2015

Due: June 1, as shown below

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$825,000 Serial Bonds

Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos 117464(b)	Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos 117464 (b)
2016	\$80,000	2.000%	0.800%	QU4	2020	\$105,000	2.000%	1.850%	QY6
2017	95,000	2.000%	1.100%	QV2	2021	110,000	3.000%	2.050%	QZ3
2018	100,000	2.000%	1.400%	QW0	2022	115,000	3.000%	2.250%	RA7
2019	100,000	2.000%	1.650%	QX8	2023	120,000	3.000%	2.400%	RB5

\$2,705,000 Term Bonds

\$255,000 Term Bonds due June 1, 2025(a)(b)(c)(d) Interest Rate 3.000% (Price \$101.789) CUSIP: 117464 RD1
 \$275,000 Term Bonds due June 1, 2027(a)(b)(c)(d) Interest Rate 3.000% (Price \$100.000) CUSIP: 117464 RF6
 \$295,000 Term Bonds due June 1, 2029(a)(b)(c)(d) Interest Rate 3.250% (Price \$100.000) CUSIP: 117464 RH2
 \$315,000 Term Bonds due June 1, 2031(a)(b)(c)(d) Interest Rate 3.250% (Price \$97.552) CUSIP: 117464 RK5
 \$345,000 Term Bonds due June 1, 2033(a)(b)(c)(d) Interest Rate 3.500% (Price \$98.681) CUSIP: 117464 RM1
 \$375,000 Term Bonds due June 1, 2035(a)(b)(c)(d) Interest Rate 3.500% (Price \$97.187) CUSIP: 117464 RP4
 \$405,000 Term Bonds due June 1, 2037(a)(b)(c)(d) Interest Rate 3.625% (Price \$97.403) CUSIP: 117464 RR0
 \$440,000 Term Bonds due June 1, 2039(a)(b)(c)(d) Interest Rate 3.750% (Price \$98.440) CUSIP: 117464 RT6

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first available redemption date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the Purchasers of the Bonds. None of the District, the Financial Advisor or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Subject to mandatory redemption by lot or customary method of random selection on June 1 in the years and in the amounts set forth herein under the caption "THE BONDS" – Redemption of the Bonds – *Mandatory Redemption.*"
- (d) Bonds maturing on and after June 1, 2024, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2023, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as Term Bonds. See "THE BONDS- Redemption Provisions."

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

The Bonds constitute the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$24,500,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the area within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$10,715,000 principal amount of bonds will remain authorized but unissued to finance the waterworks, wastewater and storm drainage system within the Sendero Springs and Cornerstone Defined Area.

The Bonds are offered when, as and if issued and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas has been engaged to serve as disclosure counsel for the offering. Delivery of the Bonds is expected through the facilities of DTC on or about May 21, 2015, in Dallas, Texas.

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 Initial Purchaser.

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 upon payment of duplication costs, for further 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Municipal Bond Insurance" and "Appendix C - Specimen Municipal Bond Insurance Policy".

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 Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by City Securities Corp. (referred to herein as the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of 97.348527% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.587530%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER - ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OR THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an Appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of “AA+” (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At December 31, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,763 million and its net unearned premium reserve was approximately \$1,769 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the

accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE"..

RATINGS

Standard & Poor's Ratings Services ("Standard & Poor's") is a division of The McGraw Hill Companies, Inc., a New York corporation. Standard & Poor's is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by Standard & Poor's reflect its analysis of the overall level of credit risk involved in financings. At present Standard & Poor's assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating).

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from Standard & Poor's and an insured rating of "AA+" (stable outlook) from Kroll Bond Rating Agency, Inc. ("KBRA"), solely in reliance upon the issuance of the municipal bond insurance policy issued by AGM at the time of delivery of the Bonds.

Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

An explanation of the significance of the foregoing ratings may only be obtained from Standard & Poor's, KBRA, and Moody's, respectively. The foregoing ratings express only the views of Standard & Poor's and Moody's at the time such ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor's, KBRA, or Moody's, if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Robert W. Baird & Co. Incorporated has been engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description	\$3,530,000 Brushy Creek Municipal Utility District (the "District") Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015, are dated May 1, 2015. The Bonds maturing on June 1 2016 through 2023, inclusive, are serial bonds (the "Serial Bonds"). The Bonds maturing on June 1, 2025, June 1, 2027, June 1, 2029, June 1, 2031, June 1, 2033, June 1, 2035, June 1, 2037, and June 1, 2039 are referred to herein as the term bonds (the "Term Bonds") which have certain mandatory redemptions in the principal amounts set forth under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption.</i> " The Serial Bonds and the Term Bonds are collectively referred to herein as the "Bonds." See "THE BONDS."
Payment of Interest.....	Interest on the Bonds accrues from May 1, 2015, and is payable December 1, 2015, and on each June 1 and December 1 thereafter until maturity or prior redemption.
Other Characteristics	The Bonds are registered bonds in integral multiples of \$5,000 within any one maturity. See "THE BONDS – General Description."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Optional Redemption.....	Bonds maturing on and after June 1, 2024, shall be subject to redemption at the option of the District, in whole, or from time to time, in part, prior to maturity on June 1, 2023, or on any date thereafter, at par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amounts and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. See "THE BONDS – Redemption Provisions – Optional Redemption."
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the Sendero Springs and Cornerstone Defined Area (the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District, which tax under Texas law is not legally limited as to rate or amount. The Bonds are not secured by any

other source including other taxable improvements located within the District but outside the Sendero Springs and Cornerstone Defined Area. The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment."

Payment Record..... This is the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The District has never defaulted on the timely payment of principal and interest on its outstanding bonded indebtedness. See "DEFINED AREA DEBT."

Authority for Issuance The voters within the Sendero Springs and Cornerstone Defined Area of the District authorized an aggregate of \$24,500,000 principal amount of bonds at an election on February 2, 2002, for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater and drainage system within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$10,715,000 principal amount of bonds will remain authorized but unissued for Sendero Springs and Cornerstone Defined Area purposes. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, an order of the Texas Commission on Environmental Quality, and pursuant to an Order (the "Bond Order") adopted by the Board of Directors of the District. See "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."

Use of Proceeds Proceeds of the Bonds will be used to pay for (i) a portion of the water, wastewater and drainage facilities to serve The Enclave at Highland Horizon and Sendero Springs, Section 7; and (ii) the water, wastewater and drainage facilities for Highland Horizon, Phase III; and (iii) electrical service to a District lift station. In addition, proceeds of the Bonds will be used to pay certain engineering costs, developer interest and issuance costs of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Municipal Bond Insurance Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."

Ratings..... Standard & Poor's Rating Services (AGM) - "AA" (stable outlook). Kroll Bond Rating Agency, Inc. (AGM) - "AA+" (stable outlook). Moody's Investors Service (Underlying) - "A2" See "MUNICIPAL BOND INSURANCE" and "RATINGS."

Bond Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas

General Counsel Freeman & Corbett, Austin, Texas

Disclosure Counsel Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas

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

THE DISTRICT

The District..... Brushy Creek Municipal Utility District (the "District"), of Williamson County, Texas, is a political subdivision of the State of Texas originally created in 1977 as Williamson County Municipal Utility District No. 2 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,270 acres within its boundaries, all of which lie within Williamson County, Texas. See "THE DISTRICT – General."

Location..... The District currently contains approximately 2,270 acres of land and is located approximately 3-4 miles west of the City of Round Rock and 19 miles north of the City of Austin. Approximately 416.683 acres within the District consist of the "Sendero Springs and Cornerstone Defined Area." The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock"). See "THE DISTRICT – General."

Sendero Springs and Cornerstone Defined Area

Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal and interest on the unlimited tax bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District. See "THE SENDERO SRPINGS AND CORNERSTONE DEFINED AREA."

Status of Development within the Sendero Springs and Cornerstone Defined Area.....

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Highland (hereinafter defined) has developed approximately 333.5 acres (1,088 lots) within the Defined Area as the single family

subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, and III; and the Enclave at Highland Horizon..

Highland owns approximately 36 acres intended for commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area." See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

The Developers..... Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers." See "THE DEVELOPERS."

Homebuilders The homebuilder currently active within the Sendero Springs and Cornerstone Defined Area is Standard Pacific Homes. The homebuilders currently are marketing homes in the \$225,000 to \$460,000 price range. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Sales Contracts."

Overlapping District Taxes..... The Sendero Springs and Cornerstone Defined Area lies wholly within the boundaries of the District and is subject to taxes levied by the District to pay debt incurred by the District to serve the entire District as well as the District-wide maintenance tax. For the 2014 tax year, the District levied a total tax rate of \$0.48 per \$100 of assessed valuation on all taxable property located within the District for debt service and maintenance and operation purposes and an additional Defined Area tax of \$0.35 per \$100 of assessed valuation for debt service within the Defined Area. See "DEFINED AREA DEBT – Estimated Overlapping Debt."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2014 Assessed Valuation of the Defined Area.....	\$264,174,702 (a)
(100% of market value as of January 1, 2014)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation of the Defined Area as of January 1, 2015.....	\$320,000,000 (b)
(100% of estimated market value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Outstanding Bonds (as of March 1, 2015).....	\$ 9,515,000
The Bonds	<u>3,530,000</u>
Total	\$ 13,045,000
Estimated Overlapping Debt	<u>\$ 20,447,958</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 33,492,958 (c)</u>
Direct Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	4.94 %
As a percentage of Estimated Valuation as of January 1, 2015	4.08 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	12.68 %
As a percentage of Estimated Valuation as of January 1, 2015	10.47 %
Debt Service Fund (as of January 31, 2015)	\$ 1,985,433 (d)
2014 Sendero Springs and Cornerstone Defined Area Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.35
Maintenance	<u>0.00</u>
Total	\$0.35
2014 District Tax Rate per \$100 of Assessed Valuation	
Debt Service.....	\$0.25
Maintenance	<u>0.23</u>
Total	\$0.48
Total Tax Rate	\$0.83
Average Annual Debt Service Requirements	
on the Outstanding Bonds and the Bonds (2015-2039)	\$ 821,642
Maximum Annual Debt Service Requirement	
on the Outstanding Bonds and the Bonds (2032).....	\$ 977,059
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
at 95% Tax Collections:	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.33
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.28
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2032) at 95% Tax Collections:	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.39
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.33
Estimated Population as of March 15, 2015	2,559 (e)

- (a) As certified by the Williamson Central Appraisal District (the "Appraisal District").
- (b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) In addition, accrued interest from May 1, 2015 will be deposited into the fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund value shown is prior to any 2015 scheduled debt service payment.
- (e) Based upon 3.5 residents per active single-family equivalent connection.

OFFICIAL STATEMENT

relating to

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

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

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Brushy Creek Municipal Utility District (the "District") of its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order (the "Order" or "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o of McCall, Parkhurst & Horton L.L.P. 600 Congress Avenue, Suite 1800, Austin, Texas 78701-3248, upon payment of duplication costs and delivery charges.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the form of the Bonds contained in the Bond Order. The Bonds will mature on June 1 of the years and in the principal amounts, and will bear interest from May 1, 2015, at the rates per annum, set forth on the cover page.

Interest on the Bonds will be paid on December 1, 2015, and each June 1 and December 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent" or "Registrar"). **No physical delivery of the Bonds will be made to the beneficial owners thereof.** See "- Book-Entry-Only System" below.

The Bonds will be issued in the denomination of \$5,000 principal amount or integral multiples of \$5,000 thereof.

Defeasance

General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, with reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities. Thereafter the District will have no further responsibility with respect to the amounts available to such Paying Agent /Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the Board of Directors also be invested in Defeasance Securities, as hereinafter defined, maturing in the amount and at the times set forth in the Bond Order and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

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

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

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

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the

substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Board of Directors.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to the defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State Law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance of those for any other Defeasance Security will be maintained at any particular rating category.

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

Redemption Provisions

-Optional Redemption-

The Bonds maturing on and after June 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2023, or on any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

At least 30 calendar days prior to the date fixed for any optional redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of

such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

-Mandatory Redemption-

The Bonds due on June 1 in each of the years 2025, 2027, 2029, 2031, 2033, 2035, 2037, and 2039 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on June 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus accrued interest to the date of redemption.

\$255,000 Term Bonds due June 1, 2025

Mandatory Redemption Date	Principal Amount
June 1, 2024	\$125,000
June 1, 2025 (Maturity)	130,000

\$275,000 Term Bonds due June 1, 2027

Mandatory Redemption Date	Principal Amount
June 1, 2026	\$135,000
June 1, 2027 (Maturity)	140,000

\$295,000 Term Bonds due June 1, 2029

Mandatory Redemption Date	Principal Amount
June 1, 2028	\$145,000
June 1, 2029 (Maturity)	150,000

\$315,000 Term Bonds due June 1, 2031

Mandatory Redemption Date	Principal Amount
June 1, 2030	\$155,000
June 1, 2031 (Maturity)	160,000

\$345,000 Term Bonds due June 1, 2033

Mandatory Redemption Date	Principal Amount
June 1, 2032	\$170,000
June 1, 2033 (Maturity)	175,000

\$375,000 Term Bonds due June 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2034	\$185,000
June 1, 2035 (Maturity)	190,000

\$405,000 Term Bonds due June 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2036	\$200,000
June 1, 2037 (Maturity)	205,000

\$440,000 Term Bonds due June 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 2038	\$215,000
June 1, 2039 (Maturity)	225,000

On or before 30 days prior to each Mandatory Redemption Date as set forth above, the Registrar shall (i) determine the principal amount of Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for above and (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of Term Bonds of such maturity, which by the 45th day prior to such Mandatory Redemption Date, have either been purchased in the open market and delivered or tendered for cancellation by the District or on behalf of the District to the Registrar or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence.

DTC Redemption Provision

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

Book-Entry-Only System

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

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

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee

do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Registrar by check mailed on each Interest Payment Date by the Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner ("Registered Owner" or "Bondholder"), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Assignments, Transfers and Exchanges

The Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Limitation on Transfer of Bonds

In the event the Book-Entry-Only System is discontinued, neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the Registered Owner of the Bonds (i) during the period commencing on the close of business on the Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Registrar will provide a replacement Bond upon (i) the filing by the Registered Owner with the Paying Agent of evidence satisfactory to the Registrar of the destruction, loss or theft of the Bond and the authenticity of the Registered Owner's ownership and (ii) the furnishing to the Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the Registered Owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds are the fifth installment of \$24,500,000 principal amount of bonds authorized at an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002. After the issuance of the Bonds, \$10,715,000 principal amount of authorized bonds will remain authorized but unissued for the Sendero Springs and Cornerstone Defined Area purposes. See "- Issuance of Additional Debt" below.

The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, the February 2, 2002 election, the order of the TCEQ and pursuant to the Bond Order adopted by the Board of Directors of the District.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the Sendero Springs and Cornerstone Defined Area at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as they become due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the Sendero Springs and Cornerstone Defined Area within the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if a city dissolves the District and assumes all debts and liabilities of the District. See "- Annexation" below.

The Bonds are special limited obligations of the District secured solely by an annual ad valorem tax levied on property located within the Sendero Springs and Cornerstone Defined Area (and no other portion of the District) and are not the obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District as described herein.

Payment Record

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

Outstanding Bonds

The Bonds are the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The District previously issued, in original aggregate principal amount, \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"). As of March 31, 2015, \$9,515,000 principal amount of the Series 2008 Bonds, Series 2009 Bonds, Series 2011 Bonds, and Series 2013 Bonds remains outstanding (the "Outstanding Bonds").

Funds

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

The Bond Order creates or confirms establishment and maintenance by the District of the Debt Service Fund to be used to pay the principal of and interest on and Paying Agent fees in respect of the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (1) accrued interest on the Bonds, (2) all District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements, and (3) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund. The Construction Fund may be applied solely to (1) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued including payment of the costs of issuance, and (2) the extent proceeds of the Bonds deposited to the Construction Fund and investment income attributable thereto are in excess of the amounts require for any such purposes, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to apply the same to one or more other authorized purposes as authorized by the TCEQ.

Issuance of Additional Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$24,500,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$10,715,000 in authorized but unissued bonds from the February 2, 2002 election to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. See "INVESTMENT CONSIDERATIONS – Future Debt."

At the February 2, 2002 election the Defined Area voters also approved the issuance of refunding bonds by the District in the aggregate principal amount of \$36,750,000. The District may from time to time issue Defined Area refunding bonds.

Subsequent to creation of both the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance, whichever is less.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act

(Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

The Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 810 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without

Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district, and the District currently has no plans to do so.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations including the Bonds and dissolve the District. The District has no control or knowledge of the annexation plans of the City. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that is not served by District facilities, if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

The District may without the consent of or notice to any registered owners amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (2) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

Use and Distribution of Bond Proceeds

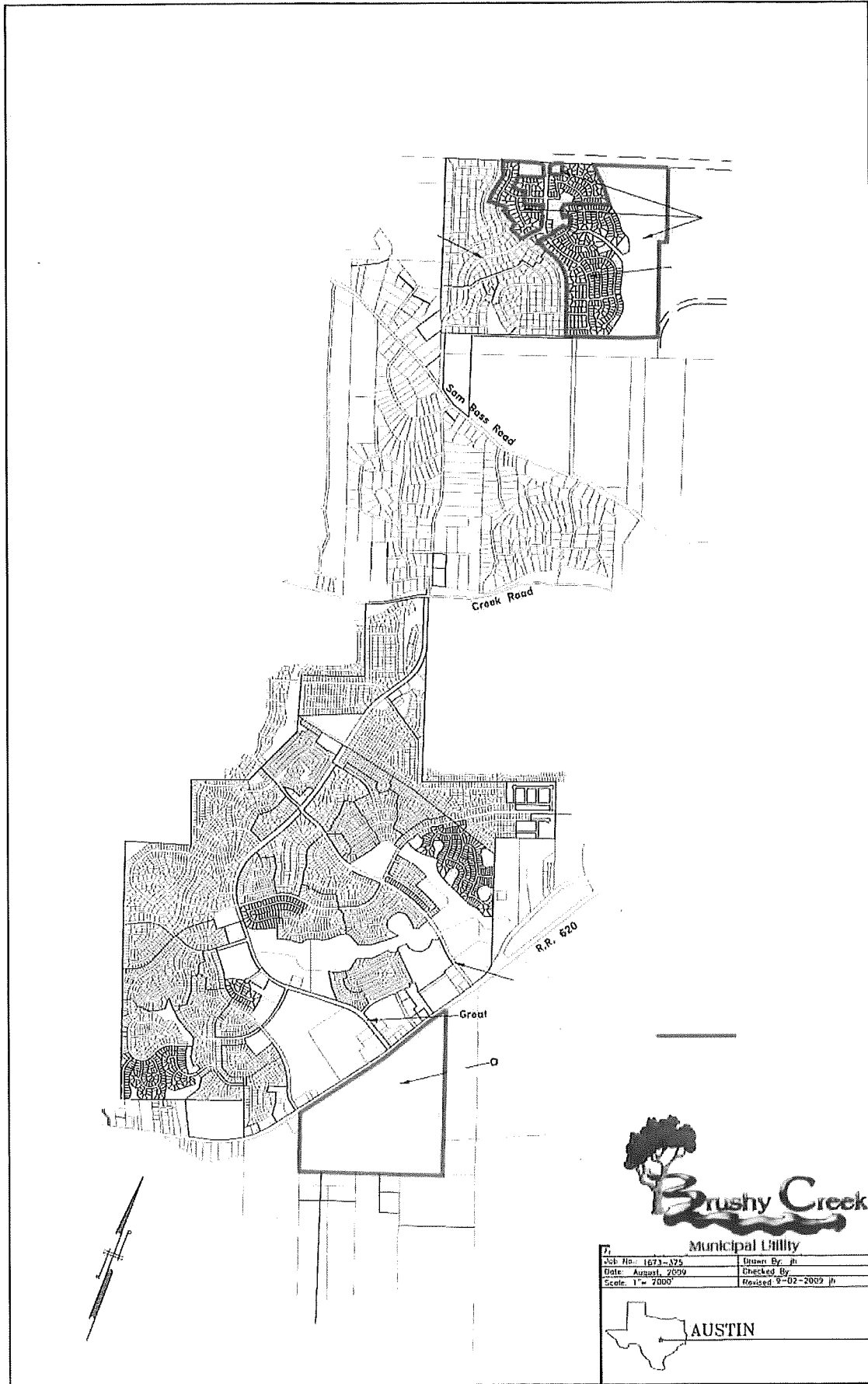
Proceeds of the Bonds will be used to pay for (i) a portion of the water, wastewater and drainage facilities to serve The Enclave at Highland Horizon and Sendero Springs, Section 7; and (ii) the water, wastewater and drainage facilities for Highland Horizon, Phase III; and (iii) electrical service to a District lift station. In addition, proceeds of the Bonds will be used to pay certain engineering costs, developer interest and issuance costs of the Bonds.


CONSTRUCTION COSTS		<u>Amount</u>
A. Developer Contribution Items		
1. Sendero Springs Section 7 – W, WW & D	\$	521,404
2. The Enclave at Highland Horizon – W, WW & D		692,726
3. Highland Horizon Phase III – W, WW & D		1,401,931
4. Engineering (for items 2 & 3)		396,793
5. Electrical Service to Lift Station		<u>5,372</u>
Total Developer Contribution Items	\$	3,018,225
B. District Items		<u>-0-</u>
TOTAL CONSTRUCTION COSTS (85.5% of BIR)		\$3,018,225
NON-CONSTRUCTION COSTS		
A. Legal Fees	\$	35,300
B. Fiscal Agent Fees		50,300
C. Interest		
1. Capitalized Interest		-0-
2. Developer Interest (a)		202,679
D. Bond Discount		93,597
E. Bond Issuance Expense		67,241
F. Bond Engineering Report		38,000
G. TCEQ Fee		8,825
H. Attorney General Fee		3,530
I. Contingency (b)		<u>12,303</u>
TOTAL NON-CONSTRUCTION COSTS (14.5% of BIR)	\$	511,775
TOTAL BOND ISSUE REQUIREMENT	\$	3,530,000

(a) Preliminary, subject to change based on final reimbursement audit.

(b) In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

DISTRICT MAPS



7.	
Job No.: 1673-375	Drawn By: jh
Date: August, 2009	Checked By:
Scale: 1" = 7000'	Revised 9-02-2009 jh
 AUSTIN	

THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA

Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal of and interest on the unlimited tax Sendero Springs and Cornerstone Defined Area bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District.

Status of Development

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval.

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

THE DISTRICT

General

The District was created by order of the Texas Water Commission, predecessor to TCEQ, adopted on October 27, 1977, and a confirmation election held within the District on January 21, 1978, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission and is located entirely within the extraterritorial jurisdiction of the City of Round Rock and within the boundaries of Round Rock Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters of the District and the Commission, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Subsequent to creation of the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance whichever is less. See "THE BONDS – Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

Location

The District is located 19 miles north of the City of Austin. The main portion of the District (southern) is located in Williamson County approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District lies south of FM1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock. Approximately 416.683 acres within the District consist of and are referred to as the "Sendero Springs and Cornerstone Defined Area." The District is comprised of approximately 2,270 acres of which approximately 2,062 acres are developable excluding parkland. Access to the District is provided by Interstate Highway 35 and either FM 620 or FM 1431.

Management of the District

Name	Title	Term Expires
Rebecca Tullos	President	2018
Russ Shermer	Vice President	2016
Kim Filiatrault	Secretary	2018
Donna B. Parker	Assistant Secretary Treasurer	2016
Shean R. Dalton	Treasurer	2016

- Consultants -

Tax Assessor/Collector

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

Auditor

Maxwell Locke & Ritter LLP, Certified Public Accountant, audited the District's September 30, 2014 financial statements. See "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT."

Engineer

The District's primary consulting engineer is Half Associates Inc.

Bond Counsel

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

General Counsel

The District has engaged Freeman & Corbett, Austin, Texas as general counsel.

Financial Advisor

The District has employed the firm of Robert W. Baird & Co. as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor does not guarantee the accuracy or completeness of such information, and has not made independent evaluation of the work product of the consultants or experts retained by the Issuer.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and

adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

THE DEVELOPERS

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

Highland is a privately-held Texas corporation with headquarters in Houston. Highland is active in real estate, being developers of large residential, commercial, and industrial projects in several areas of the United States and overseas.

In addition to the land in the Sendero Springs and Cornerstone Defined Area and other parts of the District, Highland either directly or through related entities also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and the Marble Falls Ranch.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area."

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

Utility Development Agreements

- Utility Development Agreements -

Each of the Developers has entered into a Utility Development Agreement with the District. Each of such agreements generally provides that the developer shall install the necessary water, sanitary sewer, storm sewer and drainage facilities necessary to serve its property. The Utility Development Agreement provides that the District will issue defined area bonds to purchase the utility facilities at such time as sufficient tax base has been constructed on the property receiving service to allow the District to retire the bonds being issued at a total tax rate of \$0.56 per \$100 of assessed valuation levied upon the property receiving service from the utilities being purchased. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

- Agricultural Waiver -

Each of the Developers has executed an agreement, which is recorded in the real property records of Williamson County and is a covenant running with the land, waiving the right to have their respective land located within the District classified as agricultural, open-space or timberland. In addition, each developer has waived the right to have its lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on the successors and assignees of each developer. See "TAXING PROCEDURES."

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DEFINED AREA DEBT

General

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Estimate of Value as of January 1, 2015 of the Defined Area	\$320,000,000 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt: Outstanding Debt (as of March 31, 2015).....	\$ 9,515,000
The Bonds	<u>3,530,000</u>
Total	\$ 13,045,000
Estimated Overlapping Debt.....	\$ 20,366,838 (b)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 30,146,838</u>
Debt Service Fund Balance (as of January 31, 2015)	\$ 1,985,433 (c)
Direct Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	4.94 %
As a percentage of Estimated Valuation as of January 1, 2015	4.08 %
Direct and Estimated Overlapping Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation	12.68 %
As a percentage of Estimated Valuation as of January 1, 2015	10.47 %
Area of the Sendero Springs and Cornerstone Defined Area	416.683 acres
Estimated Population as of March 15, 2015	2,559 (e)

(a) As certified by the Williamson Central Appraisal District ("WCAD") January 1, 2014.

(b) See "DEFINED AREA DEBT – Estimated Overlapping Debt Statement."

(c) In addition, accrued interest from May 1, 2015, will be deposited into this fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund balance is after the June 1 payment.

(d) Based upon 3.5 individuals per active single-family equivalent connection.

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

<u>Taxing Body</u>	<u>Outstanding Debt as of February 28, 2015</u>	<u>Percentage</u>	<u>Overlapping Net Debt</u>
Austin Community College District	\$ 82,713,659	0.19%	\$155,694
Brushy Creek MUD	36,340,000	18.27%	6,640,587
Round Rock Independent School District	763,845,000	1.12%	8,530,544
Williamson County	817,769,942	0.63%	5,121,134
TOTAL ESTIMATED OVERLAPPING DEBT			<u>\$20,447,958</u>
The Sendero Springs and Cornerstone Defined Area (a)			<u>13,045,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT			<u>\$33,492,958</u>
Ratio of Estimated Direct and Overlapping Debt to 2014 Assessed Valuation.....			12.68%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Value as of January 1, 2015 ...			10.47%

(a) Includes the Bonds

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Overlapping Taxes for 2014

Property within the Sendero Springs and Cornerstone Defined Area is subject to taxation by several taxing authorities in addition to the taxes levied by the District for the Sendero Springs and Cornerstone Defined Area. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in the Sendero Springs and Cornerstone Defined Area in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the Sendero Springs and Cornerstone Defined Area and of such other jurisdictions (see "DEFINED AREA DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District for the Sendero Springs and Cornerstone Defined Area, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2014 tax rates levied by such jurisdictions on property within the Sendero Springs and Cornerstone Defined Area. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

<u>Overlapping Entity</u>	<u>2014 Tax Rate Per \$100 of Assessed Valuation</u>
Williamson County	\$0.446529
Round Rock ISD	1.337500
The District	0.480000
Williamson County ESD #2	0.100000
Williamson County FM/RD	0.040000
Upper Brushy Creek WCID 1A	0.020000
Austin Community College District	0.094200
The Defined Area	<u>0.350000</u>
Estimated Total Tax Rate	\$2.868229

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Sendero Springs and Cornerstone Defined Area Debt Service Requirements

The following schedule sets forth the debt service requirements of the District for debt payable in whole or in part from ad valorem taxes within the Sendero Springs and Cornerstone Defined Area.

Year	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2015	\$ 719,369	\$	\$ 65,366	\$ 784,735
2016	723,109	80,000	111,256	914,366
2017	726,603	95,000	109,506	931,109
2018	734,113	100,000	107,556	941,669
2019	730,656	100,000	105,556	936,213
2020	736,475	105,000	103,506	944,981
2021	736,394	110,000	100,806	947,200
2022	740,306	115,000	97,431	952,738
2023	742,688	120,000	93,906	956,594
2024	743,288	125,000	90,231	958,519
2025	747,434	130,000	86,406	963,841
2026	749,899	135,000	82,431	967,330
2027	750,649	140,000	78,306	968,955
2028	749,894	145,000	73,850	968,744
2029	747,340	150,000	69,056	966,396
2030	752,758	155,000	64,100	971,858
2031	751,311	160,000	58,981	970,292
2032	753,653	170,000	53,406	977,059
2033	749,808	175,000	47,369	972,176
2034	237,750	185,000	41,069	463,819
2035	238,000	190,000	34,506	462,506
2036	237,750	200,000	27,556	465,306
2037	237,000	205,000	20,216	462,216
2038	235,750	215,000	12,469	463,219
2039		225,000	4,219	229,219
	<u>\$ 15,271,995</u>	<u>\$ 3,530,000</u>	<u>\$ 1,739,063</u>	<u>\$ 20,541,058</u>

Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2015-2039).....	\$ 821,642
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2032).....	\$ 977,059

TAX DATA

General

Taxable property within the Sendero Springs and Cornerstone Defined Area is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on all outstanding debt of the Sendero Springs and Cornerstone Defined Area (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's and Sendero Springs and Cornerstone Defined Area's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the Sendero Springs and Cornerstone Defined Area's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for District-wide operation and maintenance purposes. The Board levied a 2014 tax rate for District-wide debt service purposes of \$0.25 per \$100 of assessed valuation and \$0.23 per \$100 of assessed valuation for District operation and maintenance purposes and \$0.35 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area debt service purposes and \$0.00 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area operation and maintenance purposes

Historical Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the Sendero Springs and Cornerstone Defined Area. Such summary has been prepared for inclusion herein based upon information from the records of the District Tax Assessor/Collector.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate/ \$100</u>	<u>Original Tax Levy</u>	<u>Fiscal Year Ending</u>	<u>Collections as of 03/31/2015</u>
2010	122,884,140	0.36	442,383	9-30-11	99.9
2011	144,645,739	0.36	520,725	9-30-12	99.9
2012	171,587,825	0.36	617,716	9-30-13	99.9
2013	205,471,258	0.36	739,697	9-30-14	99.8
2014	267,853,303	0.35	927,053	9-30-15	99.1

Tax Rate Distribution

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District Debt Service	\$0.25	\$0.25	\$0.25	\$0.30	\$0.31
District Maintenance	0.23	0.25	0.25	0.20	0.19
Sendero Springs and Cornerstone Defined Area Debt Service	0.35	0.36	0.36	0.36	0.36
Sendero Springs and Cornerstone Defined Area Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Tax Rate	<u>\$0.85</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>

Analysis of Tax Base

The following represents the type of property comprising the 2010-2014 tax rolls:

<u>Type of Property</u>	<u>2014 Assessed Value</u>	<u>2013 Assessed Value</u>	<u>2012 Assessed Value</u>	<u>2011 Assessed Value</u>	<u>2010 Assessed Value</u>
Real Single Family	\$236,496,706	\$178,722,287	\$142,871,726	\$119,835,153	\$ 94,420,077
Real, Vacant Lots	15,862,132	17,088,933	17,360,008	16,084,672	13,954,285
Real, Acreage	8,281	636,746	721,180	2,667,988	2,660,506
Real, Commercial, & Industrial	1,536,099				
Real & Intangible Personal Utilities	161,570	290,696		34,076	13,562
Tangible Personal	111,291	270,496	42,788	162,304	95,169
Real Inventory	<u>13,677,224</u>	<u>8,462,100</u>	<u>10,592,123</u>	<u>5,861,546</u>	<u>11,740,541</u>
Total	<u>\$267,853,303</u>	<u>\$205,471,258</u>	<u>\$171,587,825</u>	<u>\$144,645,739</u>	<u>\$122,884,140</u>

Tax Rate Limitation

The District's tax rate on the Sendero Springs and Cornerstone Defined Area for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect a district-wide annual ad valorem tax for planning, maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any district-wide bonds and the Sendero Springs and Cornerstone Defined Area. At an election held on April 2, 1983, voters within the District authorized a district-wide maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a district-wide maintenance tax for 2014 of \$0.23 per \$100 of assessed valuation in the District and no additional maintenance tax in the Sendero Springs and Cornerstone Defined Area. At the election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the voters within the Sendero Springs and Cornerstone Defined Area approved the levy of a maintenance tax within the Sendero Springs and Cornerstone Defined Area not to exceed \$0.56 per \$100 of assessed valuation.

Principal Taxpayers

Taxpayer	Type of Property	Assessed Valuation
		2014 Tax Roll
Highland 620 Land Investment Ltd(a)	Homebuilder	\$17,802,906
Streetman Homes Ltd LLP	Homebuilder	2,167,671
Hy-Land North Joint Venture(a)	Homebuilder	1,578,829
Hatch House Management Company LLC	Homebuilder	1,536,099
Weekley Homes LLC	Homebuilder	649,512
Standard Pacific Homes Inc(b)	Homebuilder	599,400
First Star Bank SSB	Bank	592,898
Homeowner	Residential	535,994
Homeowner	Residential	529,349
Homeowner	Residential	<u>515,123</u>
Total		<u>\$26,507,781</u>
<u>% of Respective Tax Roll</u>		<u>10.03%</u>
(a) See "THE DEVELOPERS"		
(b) See "THE HOMEBUILDERS"		

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements for the Sendero Springs and Cornerstone Defined Area, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2015-2039).....	\$	821,642
\$0.33 Tax Rate on 2014 Assessed Valuation of \$264,174,702 at 95% collections produces	\$	828,188
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2032).....	\$	977,059
\$0.39 Tax Rate on 2014 Assessed Valuation of \$264,174,702 @ 95% collections produces.....	\$	978,767

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the Sendero Springs and Cornerstone Defined Area of the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which may hereafter be issued for the Sendero Springs and Cornerstone Defined Area and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the district-wide operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters as well as a maintenance tax for the Sendero Springs and Cornerstone Defined Area. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, qualifying surviving spouses of person 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Effective January 1, 2014, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2014 tax year, the District has granted a \$10,000 exemption for residents who are disabled or 65 and older. See "TAX DATA."

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

Tax Abatement: The City of Round Rock and/or Williamson County may designate all or a part of the area within the District as a Reinvestment Zone. Williamson County and the District may enter into tax abatement agreements with

owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements and no portion of the District has been designated as a Reinvestment Zone.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2015 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 30 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent.

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

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "DEFINED AREA DEBT – Overlapping Taxes for 2014." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which have been permanently financed by the District with the proceeds of the District's previously issued bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, the TCEQ. According to the District, the design of all such facilities has been approved by all governmental agencies which have approval over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Distribution

Currently the District has peak demands of 5.3 million gallons per day ("MGD") and an average demand of 2.93 MGD.

In 1994, the District purchased from the Brazos River Authority ("BRA") the contractual right to divert and utilize 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional Raw Water Line Project ("Regional Project"). According to the contract with the BRA, the District is responsible for 9.551% of the Regional Project, and the District has been making payments to the BRA in accordance with the contract. Proceeds of the District's outstanding bonds were used to finance the District's own water supply system which includes an 8.2 MGD water treatment plant, transmission line and related facilities. This water is delivered from Stillhouse Hollow Reservoir into Lake Georgetown by the Regional Project.

The District also owns four water wells with a capacity of about 1.7, MGD one which is active and producing 1.2 MGD. These wells are considered to be under the influence of surface water, and thus require treatment similar to that used for surface water.

The District has an intake structure and pumping facilities at Lake Georgetown, a raw water line to the District, raw water holding ponds, a drinking water treatment plant, clear well and water storage facilities, pump station, and the treated water lines and related system improvements necessary to furnish a drinking water supply to the District's customers. The intake has been constructed to provide 10 MGD of water. The raw water line has a capacity of 10 MGD.

The water treatment facility is a state-of-the-art micro/ultra-filtration plant with an initial capacity of 6 MGD, and expandable to 10 MGD by adding additional filters to the system. The clear well/ground storage facilities include two one-million gallon concrete tanks. The pump station is designed to meet the maximum daily and hourly needs of the District at full build-out. The maximum daily needs at full build-out are projected to be 8 MGD.

A 750,000-gallon composite elevated storage tank is located on Neenah Avenue. A 300,000-gallon spheroid elevated storage tank is located in Sendero Springs near FM 1431.

The District owns all the water supply, treatment, and delivery facilities required to provide drinking water for the District through full build-out. The water facility can currently accommodate 8.2 MGD production.

The Sendero Springs portion of the Defined Area is connected to the District's water distribution system and receives water from the District's 300,000 gallon elevated storage tank. The Cornerstone portion of the Defined Area is connected to the District's water distribution system and receives water through a transmission main and the District's 750,000 gallon elevated storage tank.

Wastewater Collection and Treatment

Both of the District’s wastewater treatment plants are now off line and have been demolished. The District has entered into an agreement with the City of Round Rock (“Round Rock”) for wholesale wastewater service through the Brushy Creek Regional Wastewater System (“Regional System”). Development of the Cornerstone portion of the Defined Area is served by gravity to the District’s F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 from the Cornerstone portion of the Defined Area. The Regional System is owned by Round Rock, the City of Austin, and the City of Cedar Park for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District’s contract with Round Rock for wastewater service through the Regional System became effective January 2010 and continues for a term of forty years with renewal options. The District currently has the right to 1,850,000 gallons of capacity in the Regional System, which is sufficient to serve the 7,129 LUEs projected at ultimate buildout.

The Regional System has acquired the Round Rock East WWTP, now known as the Brushy Creek Regional WWTP, which will provide wastewater treatment for customers of the Regional System. This treatment plant is presently constructed and permitted to treat an average wastewater flow rate of 20.0 mgd. The Regional System plans to expand the plant as required to accommodate the demand for wastewater service.

The Sendero Springs portion of the Defined Area is served by gravity wastewater lines in the District’s wastewater collection system that connects to the Regional System. All of the future development in Sendero Springs can be served by gravity lines flowing into the Regional System. All of the future development in Brushy Creek South can be served by gravity lines flowing into existing District interceptor lines.

Storm Drainage

Storm water drainage is provided to the developed portions of the District by a series of storm sewers which convey storm water run-off to Brushy Creek and Lake Creek tributaries to the Brazos River.

100-Year Flood Plain

According to U.S.G.S. topographic maps and Federal Insurance Administration (“FIA”) map, approximately 140 acres of undeveloped land in the District are located in the 100-year flood plain.

Water and Wastewater Operations

- Rate and Fee Schedule -

The District provides water and wastewater service to utility customers within the District, including the Sendero Springs and Cornerstone Defined Area, and charges rates as set by the Board of Directors from time to time. In addition, the District collects certain tap fees, impact fees, and other fees from builders. The rates for water and wastewater service to utility customers of the District which are currently in effect are as follows:

Water (monthly billings)

Residential and Commercial*

	In District	Out of District
Minimum monthly charge.....	\$14.00	\$37.42
Peak Rates (June-Sept.)		
Per 1,000 gallons used.....	\$2.75/gallon	\$2.75/gallon
Off Peak Rates (Oct.-May)		
Per 1,000 gallons used.....	\$2.10/gallon	\$2.10/gallon

Sewer (monthly billings)

Residential and Commercial*

In District Rates:

Minimum monthly charge	\$6.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$2.70

Out-of-District Rates:

Minimum monthly charge	\$12.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.).....	\$10.80

Tap Fees

Water:

Residential.....	\$220.00
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Sewer:

Residential.....	\$60.00
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Impact Fees

Water	\$2,095.00
Wastewater	\$1,804.00

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

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WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
REVENUES					
Property Taxes	\$3,203,128	\$2,992,389	\$ 2,352,012	\$ 2,142,470	\$2,143,391
Inspections	120,202	139,136	72,167	76,896	59,632
Water and Wastewater Service	5,077,406	5,273,378	5,229,982	5,495,625	4,704,588
Tap and Other Connection Fees	175,272	200,641	137,749	127,648	129,564
Garbage Service	1,155,136	1,118,324	1,088,081	1,050,938	953,173
Interest and Investment Earnings	26,047	54,225	30,230	28,391	51,964
Recreation Center	1,075,802	1,185,755	1,154,217	1,131,354	920,097
Bond Issuance Proceeds	-0-	-0-	-0-	55,777	15,056
Developer Contribution	-0-	-0-	-0-	-0-	-0-
Miscellaneous	231,349	312,922	913,263	255,778	168,068
Park and Recreation Fees	<u>146,585</u>	<u>147,719</u>	<u>143,523</u>	<u>127,724</u>	<u>104,377</u>
TOTAL REVENUES	<u>\$11,210,923</u>	<u>\$10,704,361</u>	<u>\$11,121,224</u>	<u>\$10,492,601</u>	<u>\$9,249,910</u>
EXPENDITURES					
Current:					
Personnel	\$3,088,208	\$2,972,309	\$2,959,280	\$2,815,268	\$2,861,339
Purchased Services for Resale	2,496,818	2,600,850	2,360,385	2,310,474	2,472,603
Administrative	1,173,831	1,372,624	1,335,015	1,387,076	1,114,969
Repairs and Maintenance	656,193	722,269	553,151	568,642	567,252
Utilities	589,144	606,394	590,411	774,449	678,359
Professional Services	452,731	479,589	496,149	513,678	394,474
Contracted Services	393,313	365,273	477,589	364,602	323,893
Capital Outlay	1,457,914	1,172,031	996,779	167,835	329,110
Principal Payments	85,731	80,728	92,175	65,000	65,000
Interest and Fiscal Charges	25,080	32,252	<u>31,711</u>	<u>89,992</u>	
TOTAL EXPENDITURES	<u>\$10,408,963</u>	<u>\$10,404,019</u>	<u>\$9,892,646</u>	<u>\$9,057,016</u>	<u>\$8,843,996</u>
TRANSFERS IN (OUT)	<u>\$ 49,998</u>	<u>\$ 115,218</u>	<u>\$ (521,548)</u>	<u>\$ 236,960</u>	<u>\$ 192,730</u>
INTERFUND FOREGIVENESS OF DEBT (a)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$2,400,779</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 851,958</u>	<u>\$ 1,135,688</u>	<u>\$ 1,108,403</u>	<u>\$ 1,672,545</u>	<u>\$ 2,999,423</u>
Number of Active Water and Sewer Connections	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,132</u>	<u>4,908</u>

INVESTMENT CONSIDERATIONS

The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area in the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment." The ultimate security for payment of principal and interest on the Bonds depends on the ability of the District to collect from the property owners within the Sendero Springs and Cornerstone Defined Area all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the Sendero Springs and Cornerstone Defined Area will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Sendero Springs and Cornerstone Defined Area results from the current market value of single-family and commercial development as well as the construction of improvements within such developments. Continued demand for single family residential lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of residential or commercial construction activity would tend to restrict the growth of property values in the Sendero Springs and Cornerstone Defined Area or could adversely impact existing values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs.

Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Sendero Springs and Cornerstone Defined Area. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the Sendero Springs and Cornerstone Defined Area.

Although located approximately 19 miles from the central downtown business district of the City of Austin, and approximately 3-4 miles from the City of Round Rock the success of development within the Sendero Springs and Cornerstone Defined Area and growth of Sendero Springs and Cornerstone Defined Area taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics. The Austin Metropolitan Area is generally recognized as the location for many computer manufacturing and related companies. The national media has recently reported a downturn in the U.S. economy and job layoffs, including particularly layoffs in the computer manufacturing industry, some of which layoffs have occurred in the Austin Metropolitan Area. As a result of the general economic slowdown, including particularly in the computer manufacturing industry, demand for homes in the Austin Metropolitan Area, including the Sendero Springs and Cornerstone Defined Area, may be adversely affected.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2014 Assessed Valuation of property within the Defined Area (see "SELECTED FINANCIAL INFORMATION") is \$264,174,702 and the Estimate of Value as of January 1, 2015 is \$320,000,000. After issuance of the Bonds, the maximum annual debt service requirement will be \$977,059 (2032) and the average annual debt service requirement will be \$821,642 (2015 through 2039, inclusive). Assuming no increase or decrease from the 2014 Assessed Valuation or Estimate of Value as of January 1, 2015, a tax rate of \$0.39 or \$0.33, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$977,059 and a tax rate of \$0.33 or \$0.28, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements

of \$821,642 (see "DEFINED AREA DEBT – Sendero Springs and Cornerstone Defined Area Debt Service Requirements"). The District levied a tax rate in 2014, in the Defined Area, for debt service purposes of \$0.35 per \$100 of assessed valuation.

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes within the Sendero Springs and Cornerstone Defined Area each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the Sendero Springs and Cornerstone Defined Area property. Further, the Registered Owners cannot themselves foreclose on property within the Sendero Springs and Cornerstone Defined Area or sell property within the Sendero Springs and Cornerstone Defined Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

Bankruptcy Limitation to Registered Owners' Right

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11

USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of

whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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

Continuing Compliance with Certain Covenants

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

Bond Insurance

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as

such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The District has not made an independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$10,715,000 authorized but unissued bonds (see "THE BONDS – Issuance of Additional Debt") for Sendero Springs and Cornerstone Defined Area, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the Sendero Springs and Cornerstone Defined Area. 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 \$10,715,000 bonds which have heretofore been authorized by the voters of the Sendero Springs and Cornerstone Defined Area may be issued by the District, with the approval of the TCEQ. If the Sendero Springs and Cornerstone Defined Area does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

Environmental Regulation

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

- I. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- II. Restricting the manner in which wastes are released into the air, water, or soils;
- III. Restricting or regulating the use of wetlands or other property;

- IV. Requiring remedial action to prevent or mitigate pollution;
- V. Imposing substantial liabilities for pollution resulting from facility operations.

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

- Air Quality Issues -

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

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

- Water Supply & Discharge Issues -

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than twenty-five (25) or fifteen (15) connections for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

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

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

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual result could differ materially from those in such forward-looking statements.

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Defined Area. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected

by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B - FORM OF OPINION OF BOND COUNSEL."

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

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

State, Local and Foreign Taxes

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

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District has NOT designated the Bonds as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEFINED AREA DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A (AUDITED FINANCIAL STATEMENTS OF THE DISTRICT)". The District will update and provide this information within twelve months after the end of each of its fiscal years ending in or after 2015. The District will provide the updated information via EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

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

Certain Event Notices

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

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

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District will agree in the Bond Order to provide certain periodic information and notices of certain events in accordance with SEC Rule 15c2-12. The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Bond Order containing the provisions described under such heading.

The District became obligated in 1994 to make annual disclosure of certain financial information. The District, due to an administrative oversight, inadvertently failed to file the report on a timely basis for fiscal year 2010, which was due by March 30, 2011. However, the District filed the required information on April 13, 2011 and has since instituted procedures to ensure timely filing of all required updated financial information in the future. The District has made all required filings and has established procedures to assure future compliance in a timely manner. Except as noted above the District is in compliance with all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the Developers, the District, and from other sources believed to be reliable. No representation is made as the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related documents are included herein subject to the detailed provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Experts

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the Developer's Engineer, and has been included in reliance upon the 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 Ms. Deborah Hunt in reliance upon her authority as an expert in the field of tax assessing and collecting.

Updating the Official Statement During Underwriting Period

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in

this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

Rebecca Tullos
President, Board of Directors
Brushy Creek Municipal Utility District

ATTEST:

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

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

The information contained in this appendix has been excerpted from the audited financial statements of Brushy Creek Municipal Utility District for the fiscal year ended September 30, 2014. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

The Bonds are limited obligations of the District payable solely from an unlimited ad valorem tax levied on all taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The District provides water services and collects revenues, fees and taxes throughout its service territory and boundaries which includes areas outside of the Sendero Springs and Cornerstone Defined Area. As a result, the District's audited financial statement includes revenues, fees and taxes which are not pledged to the payment of the Bonds. The District's audited financial statements are provided for purposes of compliance with Rule 15c2-12 of the Federal Securities Exchange Act of 1934. Therefore, the District cautions that the financial information set forth herein unrelated to the Sendero Springs and Cornerstone Defined Area should not be construed or interpreted as available or pledged to the payment of the Bonds.

**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2014 and
Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, _____
(Name of Duly Authorized District Representative)

of the _____ BRUSHY CREEK MUNICIPAL UTILITY DISTRICT _____

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2014 and that copies of the annual audit report have been filed in the District office, located at 16318 Great Oaks Drive, Round Rock, Texas 78681.

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

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

Rebecca B. Tullos, Board President
(Typed Name and Title of above District Representative)

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

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlpc.com

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brushy Creek Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Brushy Creek Municipal Utility District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Advisor"
This firm is not a CPA firm

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality supplemental information and other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Texas Commission on Environmental Quality supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Commission on Environmental Quality supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Maxwell Yocke & Ritter LLP

Austin, Texas
January 15, 2015

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis Year Ended September 30, 2014

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2014. Please read it in connection with the District's financial statements that follow.

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

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$18,521,704 (*net position*). Of this amount, \$14,486,607 (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The District's net property tax values increased by approximately \$85 million or 7.1% from \$1,193,911,500 to \$1,278,996,832. The District-wide and Defined Area tax rates remained the same as prior year at \$0.50 and \$0.36, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$527,000.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

Other supplementary information is also included.

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

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

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

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

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

Comparative Financial Statements

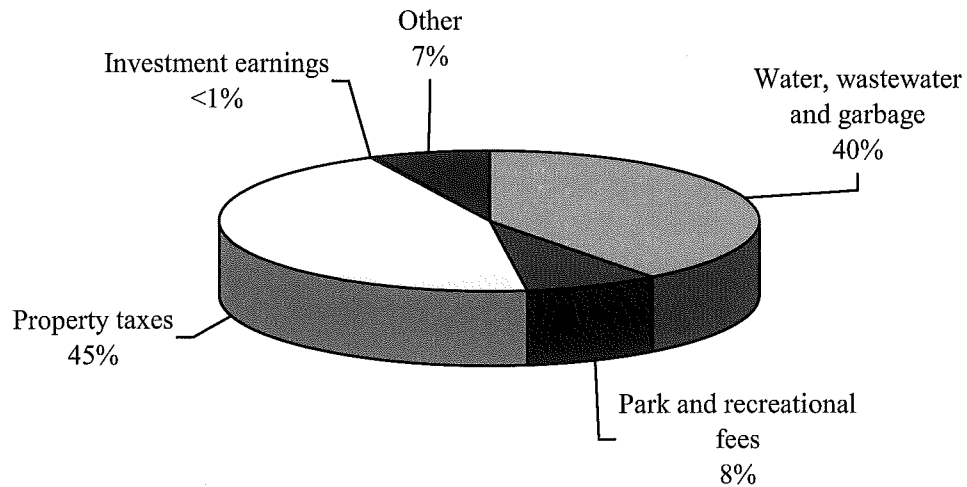
Statement of Net Position

	Governmental Activities		
	2014	2013	% Change
Current and other assets	\$ 22,761,794	\$ 22,334,585	1.9%
Capital assets	45,510,805	46,291,019	(1.7%)
Total assets	\$ 68,272,599	\$ 68,625,604	(0.5%)
Deferred outflows of resources	\$ -	473,691	(100.0%)
Current liabilities	\$ 5,249,113	\$ 5,047,861	4.0%
Long-term liabilities	44,501,782	47,956,247	(7.2%)
Total liabilities	\$ 49,750,895	\$ 53,004,108	(6.1%)
Net investments in capital assets	\$ (624,308)	\$ (3,028,194)	79.4%
Restricted	4,659,405	5,482,131	(15.0%)
Unrestricted	14,486,607	13,641,250	6.2%
Total net position	\$ 18,521,704	\$ 16,095,187	15.1%

The District's total assets were approximately \$68.3 million as of September 30, 2014. Of this amount, approximately \$45.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$49.8 million of which approximately \$44.5 million represent bonds and capital lease payable.

The District's property tax assessed value in fiscal year 2014 (which was based on the 2013 tax levy) was approximately \$1,279 million compared to approximately \$1,194 million in fiscal year 2013. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District's main revenue sources are utility services, property taxes, and recreational fees.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2014	2013	% Change
Water, wastewater and garbage	\$ 6,232,542	\$ 6,391,702	(2.5%)
Property taxes	7,141,820	6,615,089	8.0%
Parks and recreational fees	1,222,387	1,333,474	(8.3%)
Investment earnings	47,192	101,647	(53.6%)
Contributed capital assets	-	1,952,945	(100.0%)
Other	1,117,813	1,339,162	(16.5%)
Total revenues	15,761,754	17,734,019	(11.1%)
Water, wastewater and garbage	2,496,818	2,600,850	(4.0%)
Salary and related expenditures	3,068,389	2,955,637	3.8%
Administrative	1,030,381	1,212,155	(15.0%)
Repairs and maintenance	656,193	722,269	(9.1%)
Utilities	589,144	606,394	(2.8%)
Professional fees	332,304	352,583	(5.8%)
Contracted services	383,313	365,273	4.9%
Other	349,300	364,808	(4.3%)
Debt service	2,191,267	2,744,505	(20.2%)
Depreciation	2,183,019	3,040,679	(28.2%)
Total expenses	13,280,128	14,965,153	(11.3%)
Loss on disposal of capital assets	(55,109)	-	(100.0%)
Change in net position	2,426,517	2,768,866	(12.4%)
Beginning net position	16,095,187	13,326,321	20.8%
Ending net position	\$ 18,521,704	\$ 16,095,187	15.1%

Operating revenues decreased by approximately \$2.0 million to approximately \$15.8 million for the fiscal year ended September 30, 2014. Water, wastewater and garbage service provided approximately \$6.2 million, and property taxes, including penalties and interest, generated approximately \$7.1 million in revenues. The primary decrease in revenues is due to a decrease in contributed capital assets from the developer in the previous year. Total expenses decreased approximately \$1.7 million to approximately \$13.3 million for the fiscal year ended September 30, 2014. Net position increased approximately \$2.4 million for the fiscal year ended September 30, 2014 compared to an increase of approximately \$2.8 million for the fiscal year ended September 30, 2013.

Analysis of Governmental Funds

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,456,351	\$ 6,556,065
Investments	17,429,301	14,817,582
Receivables	844,901	953,303
Interfund receivable	108,487	552,104
Prepays and other assets	31,241	7,635
Total assets	\$ 22,870,281	\$ 22,886,689
Accounts payable	\$ 389,874	\$ 445,270
Refundable deposits	621,306	601,250
Other liabilities	133,531	137,610
Interfund payable	108,487	552,104
Unearned revenue	106,356	561
Total liabilities	1,359,554	1,736,795
Deferred inflows of resources - property taxes	36,383	33,235
Nonspendable fund balance	30,581	7,635
Restricted fund balance	7,969,364	8,331,990
Committed fund balance	4,282,084	4,222,655
Unassigned fund balance	9,192,315	8,554,379
Total fund balances	21,474,344	21,116,659
Total liabilities, deferred inflows of resources and fund balances	\$ 22,870,281	\$ 22,886,689

The *General Fund* pays for daily operating expenditures. Fiscal year 2014 revenues exceeded the budget by 3%. The increase in revenues was across the board and seen in utilities, recreation, fees, and services. Growth in recreation revenue was driven by increased participation in outdoor leagues, contract programs and rentals. Waste water revenue was the source of utility revenues exceeding the budget. This was due to higher water consumption during the winter averaging months than was expected.

Fiscal year 2014 expenditures were under budget by 5%. This was due to several projects not being completed during the budget year including park lighting (\$350,000), trail repairs (\$125,000), and intake pond cleaning at the water facility (\$150,000). Funding for these projects was set aside in reserves and the projects have begun in fiscal year 2015.

For the year ended September 30, 2014, the District came in ahead of budget for the General Fund by approximately \$852,000. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

In addition to the General Fund commitments noted above, the Board of Directors has approved a resolution to set aside \$5,181,628 for a 6-month Operating Reserve and \$1,941,880 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The *Debt Service Fund* includes property taxes collected to retire bond principal and to pay interest due.

The *Capital Projects Fund* primarily purchases the District's infrastructure.

Capital Assets

	2014	2013
Land	\$ 3,366,372	\$ 3,363,452
Construction in process	783,085	638,665
Water, wastewater, and drainage systems	78,843,836	78,813,981
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,284,292	4,284,292
Furniture and equipment	418,660	953,699
Park and recreational facilities	6,115,833	5,137,565
Automobiles and trucks	252,650	290,223
Subtotal	94,966,619	94,383,768
Accumulated depreciation	(49,455,814)	(48,092,749)
Total	\$ 45,510,805	\$ 46,291,019

The increase in park and recreational facilities is primarily due to the District completing the Shirley McDonald Park improvement project at a total cost of approximately \$652,000 and the trail extension project which had a total cost of approximately \$166,000.

Management made a decision this year to write off some assets which are fully depreciated. As a result, furniture and equipment and automobiles and trucks decreased approximately \$577,000.

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

Long-Term Debt Activity

	2014	2013
District-wide:		
Series 2002 Revenue Bonds	\$ 370,000	\$ 445,000
Series 2005 Bonds	1,265,000	1,365,000
Series 2007 Bonds	650,000	680,000
Series 2009 Refunding Bonds	3,955,000	5,485,000
Series 2010 Refunding Bonds	13,260,000	14,280,000
Series 2011 Refunding Bonds	2,070,000	2,075,000
Series 2012 Refunding	9,070,000	9,240,000
Series 2013 Refunding	6,070,000	6,080,000
Capital leases payable	4,934	15,665
Total District-wide	36,714,934	39,665,665
Defined Area:		
Series 2008 Bonds	1,695,000	1,755,000
Series 2009 Bonds	2,165,000	2,220,000
Series 2011 Bonds	2,235,000	2,305,000
Series 2013 Bonds	3,420,000	3,500,000
Total Defined Area	9,515,000	9,780,000
Total	\$ 46,229,934	\$ 49,445,665

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

District-wide:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,065,000	1,292,407	4,357,407
2016	2,295,000	1,180,290	3,475,290
2017	2,165,000	1,098,683	3,263,683
2018	2,240,000	1,023,566	3,263,566
2019	2,245,000	945,187	3,190,187
2020-2024	12,585,000	3,437,107	16,022,107
2025-2028	12,115,000	1,053,889	13,168,889
Total	\$ 36,710,000	10,031,129	46,741,129

Defined Area:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 270,000	455,013	725,013
2016	285,000	443,725	728,725
2017	300,000	432,493	732,493
2018	320,000	420,713	740,713
2019	330,000	407,513	737,513
2020-2024	1,930,000	1,811,963	3,741,963
2025-2029	2,500,000	1,307,762	3,807,762
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	\$ 9,515,000	5,984,503	15,499,503

The District owes approximately \$46.2 million to bond holders. Overall, the principal balance of outstanding bonds and capital leases payable decreased approximately \$3.2 million during the year. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The District-wide 2014 tax rate has been set at \$0.48 per \$100 of assessed valuation. The Sendero Springs/Cornerstone Defined Area has set a 2014 tax rate of \$0.35 per \$100 of assessed valuation. The adopted budget for 2015 projects the General Fund fund balance will remain the same.

The planning and design for a number of other large projects occurred during fiscal year 2014. These projects are also set to start in fiscal year 2015. This includes an expansion of the Community Center which will be funded by a combination of reserves and revenue bonds, water line replacements in Brushy Creek North to be funded by reserves, and a new pavilion in Cat Hollow Park to be funded by current year revenues.

Construction of homes in the last residential development in the District will start in January 2015. As the District reaches residential build out, the last remaining commercial properties are also being developed in the RR 620 and FM 1431 corridors. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 16318 Great Oaks Drive, Round Rock, Texas 78681.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS						
Cash and cash equivalents	\$ 4,169,967	284,382	2,002	4,456,351	-	4,456,351
Investments	10,572,976	5,029,646	1,721,142	17,323,764	-	17,323,764
Receivables:						
Service accounts, net	805,461	-	-	805,461	-	805,461
Taxes	16,227	20,156	-	36,383	-	36,383
Other	3,057	-	-	3,057	-	3,057
Due from other funds	91,946	16,541	-	108,487	(108,487)	-
Other assets	660	-	-	660	-	660
Prepaid items	26,359	3,968	254	30,581	-	30,581
Investments held for customer deposits	105,537	-	-	105,537	-	105,537
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	3,366,372	3,366,372
Construction in process	-	-	-	-	783,085	783,085
Easements and rights-of-way	-	-	-	-	662,037	662,037
Water, wastewater and drainage systems	-	-	-	-	34,497,922	34,497,922
Building and improvements	-	-	-	-	2,585,775	2,585,775
Furniture and equipment	-	-	-	-	144,412	144,412
Park and recreational facilities	-	-	-	-	3,357,417	3,357,417
Automobiles and trucks	-	-	-	-	113,785	113,785
Total assets	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>	<u>45,402,318</u>	<u>68,272,599</u>
LIABILITIES						
Accounts payable	\$ 382,681	7,193	-	389,874	-	389,874
Customer deposits	621,306	-	-	621,306	-	621,306
Other liabilities	133,531	-	-	133,531	-	133,531
Due to other funds	-	91,946	16,541	108,487	(108,487)	-
Accrued bond interest payable	-	-	-	-	592,181	592,181
Unearned revenue	106,356	-	-	106,356	-	106,356
Accrued vacation leave	-	-	-	-	65,931	65,931
Long-term liabilities:						
Due within one year	-	-	-	-	3,339,934	3,339,934
Due after one year	-	-	-	-	44,501,782	44,501,782
Total liabilities	<u>1,243,874</u>	<u>99,139</u>	<u>16,541</u>	<u>1,359,554</u>	<u>48,391,341</u>	<u>49,750,895</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	16,227	20,156	-	36,383	(36,383)	-
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable-						
Prepaid items	26,359	3,968	254	30,581	(30,581)	-
Restricted for:						
Debt service	-	5,231,430	-	5,231,430	(5,231,430)	-
Capital projects	-	-	1,706,603	1,706,603	(1,706,603)	-
Parks capital fees	921,331	-	-	921,331	(921,331)	-
Texas Water Development Board Reserve	110,000	-	-	110,000	(110,000)	-
Committed for repair and replacement of capital assets	4,282,084	-	-	4,282,084	(4,282,084)	-
Unassigned	9,192,315	-	-	9,192,315	(9,192,315)	-
Total fund balances	<u>14,532,089</u>	<u>5,235,398</u>	<u>1,706,857</u>	<u>21,474,344</u>	<u>(21,474,344)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,792,190</u>	<u>5,354,693</u>	<u>1,723,398</u>	<u>22,870,281</u>		
Net position:						
Net investments in capital assets					(624,308)	(624,308)
Restricted for debt service					4,659,405	4,659,405
Unrestricted					14,486,607	14,486,607
Total net position					<u>\$ 18,521,704</u>	<u>18,521,704</u>

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Municipal Utility District (the "District"), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and cash equivalents - The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. Allowance for uncollectible accounts as of September 30, 2014 was \$111,041.

Capital Assets - Capital assets, which include land, easements and rights-of-way, infrastructure (water, wastewater and drainage systems purchased, constructed or donated), construction in process, buildings and improvements, park and recreational facilities, automobiles and trucks, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in process) are depreciated using the straight line method over the following estimated useful lives: easements and rights-of-way - forty years, buildings and improvements - ten to forty years, water, wastewater and drainage systems - seven to fifty years, park and recreational facilities - ten to twenty-two years, furniture and equipment - six to ten years, automobiles and trucks - five years.

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

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

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

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 12 and 16 hours per month depending on length of employment. District policy allows for a maximum carry-over from the previous fiscal year. The full amount of accrued paid time off, subject to the maximum accrual limits, is paid upon discontinuance of employment with the District. The District's liability for accrued paid time off at September 30, 2014 was \$65,931.

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

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is still evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended September 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended September 30, 2015.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 21,474,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	45,510,805
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	36,383
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued vacation payable	(65,931)
Bonds payable, including premiums	(47,836,782)
Bond interest payable	(592,181)
Capital lease payable	(4,934)
	<hr/>
Total net position	<u>\$ 18,521,704</u>

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

Excess of revenues and other financing sources over expenditures	\$ 357,685
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,457,914
Depreciation	(2,183,019)
Loss on disposal of capital assets	(55,109)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	3,148
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	3,205,000
Capital lease proceeds provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net position. Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease principal	10,731
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued vacation	(8,820)
Amortization of bond premium	114,769
Amortization of deferred charges on refunding	(473,691)
Change in bond interest payable	(2,091)
Change in net position	<u>\$ 2,426,517</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2014, the District's cash balance deposited in banks totaled \$4,456,351 and were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

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

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

Investments held at September 30, 2014 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pools:			
TexPool	\$ 3,307,483	1	AAAm
LOGIC	1,864,102	1	AAA
Municipal bonds - Frost Bank	3,625,451	176	Various
US agencies	1,003,530	355	AA+
Certificates of deposit	7,628,735	245	Various
Total	<u>\$ 17,429,301</u>		

At September 30, 2014, the District had investments in two external local governmental investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC"), municipal bonds, US agencies coupon securities and certificates of deposit.

Although TexPool and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pools' shares.

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

LOGIC is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate LOGIC. LOGIC also has a six member governing board to advise on LOGIC's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with LOGIC. First Southwest Asset Management, Inc. and JPMorgan Chase manage daily operations of LOGIC under contract with the Comptroller and are the investment managers for the pool. LOGIC's investment policy states that it must invest in accordance with the Public Funds Investment Act.

The investments held for customer deposits in the General Fund consist of deposits received from customers to initiate water services with the District. These deposits are to be refunded to customers upon termination of water service with the District and, therefore, are also included as liabilities by the District.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2014, investments were included in local governmental investment pools, municipal bonds, US agencies coupon securities and certificates of deposit with ratings from Standard and Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. Certificates of deposit, US agencies coupon securities and municipal bonds held by the District have set interest rates.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 91,946
Debt Service	Capital Projects	16,541
		\$ 108,487

During the year, the Capital Fund transferred \$49,998 to the General Fund to pay for capital costs associated with the regional wastewater contract and transferred \$218,492 to the Debt Service Fund to pay toward the debt associated with the long term water project.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Retirements and Transfers	Balance September 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,363,452	2,920	-	3,366,372
Construction in process	638,665	783,085	(638,665)	783,085
Total capital assets, not being depreciated	<u>4,002,117</u>	<u>786,005</u>	<u>(638,665)</u>	<u>4,149,457</u>
Capital assets, being depreciated:				
Water, wastewater and drainage systems	78,813,981	305,403	(275,548)	78,843,836
Easements and rights-of-way	901,891	-	-	901,891
Buildings and improvements	4,284,292	-	-	4,284,292
Furniture and equipment	953,699	-	(535,039)	418,660
Park and recreational facilities	5,137,565	339,603	638,665	6,115,833
Automobiles and trucks	290,223	26,903	(64,476)	252,650
Total capital assets, being depreciated	<u>90,381,651</u>	<u>671,909</u>	<u>(236,398)</u>	<u>90,817,162</u>
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(42,928,445)	(1,637,907)	220,438	(44,345,914)
Easements and rights-of-way	(217,306)	(22,548)	-	(239,854)
Buildings and improvements	(1,531,528)	(166,989)	-	(1,698,517)
Furniture and equipment	(761,200)	(48,087)	535,039	(274,248)
Park and recreational facilities	(2,488,020)	(270,396)	-	(2,758,416)
Automobiles and trucks	(166,250)	(37,092)	64,477	(138,865)
Total accumulated depreciation	<u>(48,092,749)</u>	<u>(2,183,019)</u>	<u>819,954</u>	<u>(49,455,814)</u>
Total capital assets, being depreciated, net	<u>42,288,902</u>	<u>(1,511,110)</u>	<u>583,556</u>	<u>41,361,348</u>
Capital assets, net	<u>\$ 46,291,019</u>	<u>(725,105)</u>	<u>(55,109)</u>	<u>45,510,805</u>

6. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	\$ 473,691	-	(473,691)	-

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Bonds payable	\$ 49,430,000	-	(3,205,000)	46,225,000
Premiums on refundings	1,726,551	-	(114,769)	1,611,782
Capital lease payable	15,665	-	(10,731)	4,934
Total	\$ 51,172,216	-	(3,330,500)	47,841,716

Bonds payable at September 30, 2014, is comprised of the following:

	Balance 9/30/2014	Due Within One Year
\$1,500,000, Series 2002, revenue bonds due in annual installments of \$20,000 to \$95,000 through June 1, 2019. Interest varies from 2.50% to 5.90% and is payable June 1 and December 1 each year.	\$ 370,000	80,000
\$9,500,000, Series 2005, serial bonds due in annual installments of \$100,000 to \$595,000 through June 1, 2020. Interest varies from 3.00% to 5.00% and is payable June 1 and December 1 each year.	1,265,000	100,000
\$7,840,000, Series 2007, refunding bonds due in annual installments of \$30,000 to \$325,000 through June 1, 2016. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	650,000	325,000
\$2,020,000, Series 2008, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$60,000 to \$145,000 through June 1, 2031. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	1,695,000	65,000

\$2,365,000, Series 2009, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$55,000 to \$195,000 through June 1, 2033. Interest varies from 4.38% to 6.00% and is payable June 1 and December 1 each year.	2,165,000	60,000
\$7,975,000, Series 2009, refunding bonds due in annual installments of \$195,000 to \$1,530,000 through June 1, 2024. Interest varies from 3.00% to 4.63% and is payable June 1 and December 1 each year.	3,955,000	1,315,000
\$17,190,000, Series 2010, refunding bonds due in annual installments of \$255,000 to \$1,960,000 through June 1, 2026. Interest varies from 3.50% to 4.00% and is payable June 1 and December 1 each year.	13,260,000	1,050,000
\$2,370,000, Series 2011, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$65,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December 1 each year.	2,235,000	65,000
\$2,085,000, Series 2011, refunding bonds due in annual installments of \$5,000 to \$245,000 through June 1, 2028. Interest varies from 4.00% to 5.25% and is payable June 1 and December 1 each year.	2,070,000	5,000
\$9,260,000, Series 2012, refunding bonds due in annual installments of \$20,000 to \$1,600,000 through June 1, 2028. Interest varies from 2.00% to 3.00% and is payable June 1 and December 1 each year.	9,070,000	175,000
\$6,125,000, Series 2013, refunding bonds due in annual installments of \$10,000 to \$1,840,000 through June 1, 2028. Interest varies from 2.00% to 3.50% and is payable June 1 and December 1 each year.	6,070,000	15,000
\$3,500,000, Series 2013, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$230,000 through June 1, 2038. Interest varies from 2.50% to 5.00% and is payable June 1 and December 1 each year.	3,420,000	80,000
Total bonds payable	<u>\$ 46,225,000</u>	<u>3,335,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020-2024	14,515,000	5,249,070	19,764,070
2025-2029	14,615,000	2,361,651	16,976,651
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District except for the Series 2002 Revenue bonds.

Bond covenants for each outstanding issue require that the District maintain utility rates and property tax rates sufficient to operate and maintain the utility system and pay all indebtedness against the system. Covenants also require the District to maintain adequate insurance of the system. The District believes it is in compliance with all significant covenants contained in the debt agreements.

At September 30, 2014, unlimited tax bonds of \$16,345,000 were authorized by the District but unissued of which \$14,245,000 is for improvements to Defined Area water, wastewater and drainage systems and \$2,100,000 is for improvements to District-wide water systems.

The District has a capital lease payable for the purchase of exercise equipment. Principal and interest is due in thirty-six monthly installments of \$452 with an interest rate of 6% and matures in March 2015. The District's capital lease payable at September 30, 2014 was \$4,934. At September 30, 2014, the net carrying value of capital assets related to capital leases was \$18,010.

8. PROPERTY TAXES

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

The combined tax rate was \$0.5000 per \$100 assessed valuation District-wide, except for the Sendero Springs/Cornerstone Defined Area. The Sendero Springs/Cornerstone Defined Area had an additional tax rate of \$0.3600 per \$100 assessed valuation. The total 2013 tax levy was \$7,141,445 based on a District-wide taxable valuation of \$1,278,996,832.

9. AMOUNTS COLLECTED FOR CAPITAL IMPROVEMENTS

By an agreement dated March 29, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers to the District. The fee has been established by contract between the District and the developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled \$590,990 for the year ended September 30, 2014 and are within the Capital Projects Fund.

10. FUND BALANCES

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

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

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

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

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

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

The summary of the fund balances is included in the Governmental Funds Balance Sheet on page 12.

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

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

The Board committed \$4,282,084 of General Fund fund balance to pay for future repairs, replacements and purchases of capital. The amounts committed for funding capital projects as of September 30, 2014 are:

Utility equipment replacement	\$ 37,149
Replacement of water facility membranes	1,000,000
Trail improvements	125,000
Community center equipment replacement	12,455
Park master plan projects	882,969
620 utility work	50,000
Utility improvements	883,602
BRA water line reserves	131,270
Regional waste water improvements	369,639
Sludge removal	150,000
Pepper rock park parking	140,000
Park lighting	500,000
Total committed fund balance	<u>\$ 4,282,084</u>

11. COMMITMENTS AND CONTINGENCIES

The District has entered into several utility development agreements with developers of property within the District. Under the terms of the agreements, a developer funds the cost of construction for water, wastewater and drainage facilities for a specified project which has been approved by the District. The District agrees to purchase the facilities at a price to be determined by the Texas Commission on Environmental Quality, but not to exceed the amount actually expended by the developer plus interest from the dates of expenditure to the date of payment by the District.

In August 1998, the Board authorized the District to enter into a contract with the Brazos River Authority (“BRA”) for participation in the Williamson County Raw Water Line Project. The project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown. The BRA expects to issue approximately \$40,000,000 of debt to finance construction of the project for which total debt service payments are anticipated to be approximately 10%, and the District’s average annual payment to cover its share of the debt service will be approximately \$210,000.

In October 2000, the Board authorized the District to enter into a contract with the BRA and the Lower Colorado River Authority (“LCRA”) for participation in the Sub Regional Wastewater Collection, Treatment and Disposal System. The LCRA utilized its reserved capacity in the system to receive wastewater from the District’s wastewater collection system. The cities of Round Rock, Cedar Park, and Austin purchased the wastewater system from the LCRA in December 2009. The District is a customer of the city of Round Rock. The BRA will operate and maintain the system in order to receive wastewater from the customers’ wastewater collection systems and to treat and dispose of such wastewater. The District will pay charges on the system, their annual estimates for sub-regional operation and maintenance expenses and the resulting estimates of sub-regional capital charges and sub-regional flow charges. The District’s average annual payment will be approximately \$1,100,000 over the next 30 years.

12. PENSION PLAN

The District provides retirement, disability, and death benefits for all of its non temporary full-time employees through a nontraditional defined benefit pension plan in statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 506 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 6.55% for 2014. The contribution rate payable by the District for calendar years 2013 and 2012 was 6.42% and 6.62%, respectively, as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Costs - For the District's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$138,450 and the actual contributions were \$138,450.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contribution rates for calendar years 2013, 2012 and 2011. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30 years	30 years	30 years
Asset valuation method	Ten year smoothed value and fund value	Ten year smoothed value and fund value	Five year smoothed value and fund value

Actuarial Assumptions:

Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend information for the retirement plan for the employees of the District:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2012	\$ 132,340	100%	-
September 30, 2013	133,826	100%	-
September 30, 2014	138,450	100%	-

The following is a schedule of funding progress for the retirement plan for the employees of the District for the three calendar years ended December 31, 2013:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (U/OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll* (c)</u>
December 31, 2011	\$ 1,910,617	1,793,874	(116,743)	106.51%	(6.12%)
December 31, 2012	2,246,736	2,188,381	(58,355)	102.67%	(2.88%)
December 31, 2013	2,611,316	2,455,479	(155,837)	106.35%	(7.46%)

*The annual covered payroll is based on the employer contributions paid to TCDRS for the year ending with the valuation date.

13. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
YEAR ENDED SEPTEMBER 30, 2014**

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2014

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 11 to basic financial statements.

(C) Pension Coverage

See Note 12 to basic financial statements.

(D) Pledge of Revenues

See Note 7 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 7 to basic financial statements.

(F) Redemption of Bonds

See Note 7 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2014

1. Services Provided by the District:

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

2. Retail Service Providers:

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
IN-DISTRICT WATER	\$ 14.00	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
OUT-OF-DISTRICT WATER	\$ 37.42	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
IN-DISTRICT WASTEWATER	\$ 6.00	-	N	\$ 2.70	Per 1,000
OUT-OF-DISTRICT WASTEWATER	\$ 12.00	-	N	\$ 10.80	Per 1,000
SURCHARGE	\$ None				

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage:

In-District:	Water: \$ <u>35.00 winter</u> \$ <u>41.50 summer</u>	Wastewater: \$ <u>33.00</u>
Out-of-District:	Water: \$ <u>58.42 winter</u> \$ <u>64.92 summer</u>	Wastewater: \$ <u>120.00</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
<=3/4"	5,514	5,498	x 1.0	5,498
1"	38	38	x 2.5	95
1 1/2"	27	27	x 5.0	135
2"	40	40	x 8.0	320
3"	12	12	x 15.0	180
4"	3	3	x 25.0	75
6"	2	2	x 50.0	100
8"	8	8	x 80.0	640
10"	-	-	x 115.0	-
Total Water	5,644	5,628		7,043
Total Wastewater	5,403	5,403	x 1.0	5,403

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

Gallons pumped into system:	<u>933,078,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>779,635,000</u>	(Gallons billed/Gallons pumped)
		<u>83.56% (1)</u>

(1) The water accountability ratio does not include fire hydrant flushing, water used in fire fighting, loss due to water leaks, or other un-metered loss to the system. The District tracks all of those non-billed sources and for FY 2014 the total known consumption was 795,579,000 gallons for an actual ratio of 85.26%.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014

5. Location of District:

County(ies) in which District is located: Williamson

Is the District located entirely within one county? Yes No

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

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

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

ETJ's in which District is located: City of Round Rock

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

If yes, by whom? N/A

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2014

Personnel Expenditures (including benefits)	\$ 3,059,569
Professional Fees:	
Auditing	39,000
Legal	103,962
Engineering	106,561
Financial Advisor	-
Purchased Services For Resale-	
Bulk Water and Wastewater Service Purchases	1,443,292
Contracted Services:	
Bookkeeping	-
Utility Manager	-
Appraisal District/Tax Collector	-
Other Contracted Services	383,313
Utilities	589,144
Repairs and Maintenance	656,193
Administrative Expenditures:	
Directors' Fees	28,639
Office Supplies	22,858
Insurance	54,704
Other Administrative Expenses	833,902
Capital Outlay:	
Capitalized Assets	1,457,914
Expenditures not Capitalized	-
Tap Connection Expenditures	173,621
Solid Waste Disposal	1,053,526
Fire Fighting	-
Parks and Recreation	(a)
Other Expenditures	402,765
TOTAL EXPENDITURES	\$ 10,408,963

Number of persons employed by the District: 41 Full-Time 69 Part-Time
(Does not include independent contractors or consultants; however, does include seasonal staff)

(a) Parks and recreation costs are included within the various General Fund expenditures above.
For the year ended September 30, 2014, parks and recreation expenditures were \$3,119,334.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2014

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2014	Accrued Interest Receivable at September 30, 2014
General Fund					
Investment in LOGIC	742006801003	Variable	N/A	\$ 195,503	\$ -
Investment in LOGIC	742006801002	Variable	N/A	105,537	-
Investment in TexPool	2461600008	Variable	N/A	888,337	-
Investment in TexPool	2461600001	Variable	N/A	516,915	-
Certificate of deposit in Tx Security	10092	0.50%	10/21/2014	248,711	-
Certificate of deposit in East West Bank	01-72357047	0.40%	4/12/2015	2,013,797	-
Certificate of deposit in Texas Citizens Bank	8029282	0.50%	9/24/2015	246,227	-
Brokered certificate of deposit	063248EV6	0.35%	3/17/2015	245,000	-
Brokered certificate of deposit	05961SBJ2	0.30%	2/19/2015	245,000	-
Brokered certificate of deposit	3814J2Y7	0.40%	8/27/2015	245,000	-
Brokered certificate of deposit	139800BM7	0.30%	3/18/2015	245,000	-
Brokered certificate of deposit	30246ADH8	0.40%	9/25/2015	245,000	-
Brokered certificate of deposit	065680HG8	0.30%	2/12/2015	245,000	-
Brokered certificate of deposit	030590DT7	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	23204HBY	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	073296BG9	0.40%	8/31/2015	245,000	-
Brokered certificate of deposit	17417QAK9	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	75524KCW2	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	2546715W6	0.55%	9/10/2015	245,000	-
Brokered certificate of deposit	38147J4M1	0.40%	9/10/2015	245,000	-
Brokered certificate of deposit	534732AC6	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	71270QGL4	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	853117PA1	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	320844PA5	0.40%	3/10/2015	245,000	-
Brokered certificate of deposit	80280JBF7	0.40%	3/10/2015	245,000	-
Municipal Bonds	644682T55	2.00%	4/1/2015	760,298	-
Municipal Bonds	20772GD96	4.40%	3/15/2015	292,883	-
Municipal Bonds	46615MAD3	0.40%	10/1/2014	500,060	-
US Agencies	3134G56P5	0.50%	6/24/2016	500,245	-
Totals				10,678,513	-
Debt Service Fund					
Investment in LOGIC	2006801001	Variable	N/A	587,616	-
Investment in LOGIC	2006801013	Variable	N/A	498,525	-
Investment in TexPool	449/246160004	Variable	N/A	1,161,295	-
Brokered certificate of deposit	57116AHT8	0.45%	8/6/2015	245,000	-
Brokered certificate of deposit	33583CGE3	0.30%	3/13/2015	220,000	-
Brokered certificate of deposit	87164DFD7	0.45%	8/7/2015	245,000	-
Municipal Bonds	59259YA74	4.00%	11/15/2014	1,051,730	-
Municipal Bonds	235036SY7	2.19%	11/1/2015	1,020,480	-
Totals				5,029,646	-
Capital Projects Fund					
Investment in LOGIC	2006801009	Variable	N/A	476,462	-
Investment in LOGIC	2006801012	Variable	N/A	459	-
Investment in TexPool	449/246160007	Variable	N/A	740,936	-
US Agencies	3135G0FY4	0.750%	12/19/2014	503,285	-
Totals				1,721,142	-
TOTAL ALL FUNDS				\$ 17,429,301	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2014

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2013	\$ 14,009	\$ 19,226		
2013 Tax Roll	3,201,042	3,940,403		
Adjustments	(3,809)	(13,200)		
Total to be accounted for	<u>3,211,242</u>	<u>3,946,429</u>		
Tax collections:				
Current year	3,192,750	3,922,897		
Prior years	2,265	3,376		
Total collections	<u>3,195,015</u>	<u>3,926,273</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
TAXES RECEIVABLE, BY YEARS:				
2013	\$ 8,202	\$ 8,309		
2012	2,746	2,658		
2011	1,595	2,340		
2010	1,137	1,835		
2009 and prior	2,547	5,014		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS-				
Net assessed property valuation:				
District-wide	\$ 1,278,996,832	1,193,911,500	1,162,948,436	1,106,704,060
Defined Area	205,471,258	171,587,825	144,727,844	120,884,140
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.2500	0.2500	0.3000	0.3100
Maintenance tax rates	0.2500	0.2500	0.2000	0.1900
District-wide	0.5000	0.5000	0.5000	0.5000
Defined Area	0.3600	0.3600	0.3600	0.3600
ORIGINAL TAX LEVY	<u>\$ 7,141,445</u>	<u>6,611,512</u>	<u>6,391,741</u>	<u>6,070,576</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	REVENUE SERIES 2002			UNLIMITED TAX SERIES 2005			UNLIMITED TAX REFUNDING SERIES 2007		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 80,000	20,200	100,200	100,000	40,450	140,450	325,000	26,000	351,000
2016	85,000	16,000	101,000	-	34,950	34,950	325,000	13,000	338,000
2017	90,000	11,410	101,410	-	34,950	34,950	-	-	-
2018	95,000	6,460	101,460	-	34,950	34,950	-	-	-
2019	20,000	1,140	21,140	570,000	34,950	604,950	-	-	-
2020	-	-	-	595,000	17,850	612,850	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 370,000</u>	<u>55,210</u>	<u>425,210</u>	<u>1,265,000</u>	<u>198,100</u>	<u>1,463,100</u>	<u>650,000</u>	<u>39,000</u>	<u>689,000</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	DEFINED AREA UNLIMITED TAX SERIES 2008			ULIMITED TAX DEFINED AREA SERIES 2009			UNLIMITED TAX REFUNDING SERIES 2009		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 65,000	86,480	151,480	60,000	121,875	181,875	1,315,000	176,069	1,491,069
2016	70,000	82,580	152,580	65,000	119,250	184,250	505,000	116,894	621,894
2017	70,000	79,080	149,080	65,000	116,406	181,406	535,000	94,169	629,169
2018	75,000	75,580	150,580	70,000	113,563	183,563	195,000	70,094	265,094
2019	80,000	71,830	151,830	75,000	109,888	184,888	210,000	61,319	271,319
2020	85,000	67,830	152,830	80,000	105,950	185,950	215,000	51,869	266,869
2021	90,000	63,580	153,580	85,000	101,750	186,750	230,000	43,269	273,269
2022	90,000	59,080	149,080	95,000	97,288	192,288	240,000	33,781	273,781
2023	95,000	54,580	149,580	100,000	92,300	192,300	245,000	23,281	268,281
2024	100,000	49,830	149,830	105,000	86,300	191,300	265,000	12,256	277,256
2025	105,000	44,830	149,830	115,000	80,000	195,000	-	-	-
2026	110,000	39,580	149,580	120,000	73,100	193,100	-	-	-
2027	120,000	34,080	154,080	130,000	65,900	195,900	-	-	-
2028	125,000	28,080	153,080	140,000	58,100	198,100	-	-	-
2029	130,000	21,580	151,580	150,000	49,700	199,700	-	-	-
2030	140,000	14,820	154,820	160,000	40,700	200,700	-	-	-
2031	145,000	7,540	152,540	170,000	31,100	201,100	-	-	-
2032	-	-	-	185,000	20,900	205,900	-	-	-
2033	-	-	-	195,000	10,725	205,725	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 1,695,000</u>	<u>880,960</u>	<u>2,575,960</u>	<u>2,165,000</u>	<u>1,494,795</u>	<u>3,659,795</u>	<u>3,955,000</u>	<u>683,001</u>	<u>4,638,001</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2010			DEFINED AREA UNLIMITED TAX SERIES 2011			UNLIMITED TAX REFUNDING SERIES 2011		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 1,050,000	480,575	1,530,575	65,000	101,363	166,363	5,000	79,488	84,488
2016	1,085,000	454,325	1,539,325	65,000	98,600	163,600	5,000	79,296	84,296
2017	1,130,000	421,775	1,551,775	75,000	95,837	170,837	5,000	79,104	84,104
2018	1,170,000	387,875	1,557,875	80,000	92,650	172,650	10,000	78,912	88,912
2019	1,215,000	346,925	1,561,925	80,000	89,250	169,250	175,000	78,528	253,528
2020	1,270,000	304,400	1,574,400	85,000	85,850	170,850	175,000	71,808	246,808
2021	1,320,000	253,600	1,573,600	85,000	82,450	167,450	185,000	65,088	250,088
2022	1,375,000	200,800	1,575,800	90,000	79,050	169,050	190,000	57,984	247,984
2023	1,430,000	145,800	1,575,800	95,000	75,450	170,450	200,000	50,688	250,688
2024	-	88,600	88,600	100,000	71,650	171,650	205,000	43,008	248,008
2025	255,000	88,600	343,600	105,000	67,525	172,525	215,000	35,136	250,136
2026	1,960,000	78,400	2,038,400	110,000	63,194	173,194	225,000	26,880	251,880
2027	-	-	-	110,000	58,244	168,244	230,000	18,240	248,240
2028	-	-	-	115,000	53,294	168,294	245,000	9,408	254,408
2029	-	-	-	120,000	47,975	167,975	-	-	-
2030	-	-	-	125,000	42,425	167,425	-	-	-
2031	-	-	-	135,000	36,331	171,331	-	-	-
2032	-	-	-	290,000	29,750	319,750	-	-	-
2033	-	-	-	305,000	15,250	320,250	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 13,260,000</u>	<u>3,251,675</u>	<u>16,511,675</u>	<u>2,235,000</u>	<u>1,286,138</u>	<u>3,521,138</u>	<u>2,070,000</u>	<u>773,568</u>	<u>2,843,568</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2012			UNLIMITED TAX REFUNDING SERIES 2013			DEFINED AREA UNLIMITED TAX SERIES 2013		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 175,000	270,350	445,350	15,000	199,275	214,275	80,000	145,295	225,295
2016	275,000	266,850	541,850	15,000	198,975	213,975	85,000	143,295	228,295
2017	390,000	258,600	648,600	15,000	198,675	213,675	90,000	141,170	231,170
2018	755,000	246,900	1,001,900	15,000	198,375	213,375	95,000	138,920	233,920
2019	40,000	224,250	264,250	15,000	198,075	213,075	95,000	136,545	231,545
2020	45,000	223,050	268,050	15,000	197,775	212,775	100,000	134,170	234,170
2021	660,000	221,700	881,700	15,000	197,475	212,475	105,000	131,370	236,370
2022	685,000	201,900	886,900	15,000	197,025	212,025	110,000	128,220	238,220
2023	710,000	181,350	891,350	15,000	196,575	211,575	115,000	124,645	239,645
2024	1,600,000	160,050	1,760,050	685,000	196,125	881,125	120,000	120,620	240,620
2025	730,000	112,050	842,050	1,635,000	175,575	1,810,575	125,000	115,820	240,820
2026	750,000	90,150	840,150	-	126,525	126,525	135,000	110,820	245,820
2027	1,110,000	67,650	1,177,650	1,775,000	126,525	1,901,525	140,000	104,880	244,880
2028	1,145,000	34,350	1,179,350	1,840,000	64,400	1,904,400	145,000	98,720	243,720
2029	-	-	-	-	-	-	150,000	92,340	242,340
2030	-	-	-	-	-	-	160,000	85,140	245,140
2031	-	-	-	-	-	-	165,000	77,460	242,460
2032	-	-	-	-	-	-	175,000	69,540	244,540
2033	-	-	-	-	-	-	180,000	61,140	241,140
2034	-	-	-	-	-	-	190,000	52,500	242,500
2035	-	-	-	-	-	-	200,000	43,000	243,000
2036	-	-	-	-	-	-	210,000	33,000	243,000
2037	-	-	-	-	-	-	220,000	22,500	242,500
2038	-	-	-	-	-	-	230,000	11,500	241,500
	<u>\$ 9,070,000</u>	<u>2,559,200</u>	<u>11,629,200</u>	<u>6,070,000</u>	<u>2,471,375</u>	<u>8,541,375</u>	<u>3,420,000</u>	<u>2,322,610</u>	<u>5,742,610</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued) SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020	2,665,000	1,260,552	3,925,552
2021	2,775,000	1,160,282	3,935,282
2022	2,890,000	1,055,128	3,945,128
2023	3,005,000	944,669	3,949,669
2024	3,180,000	828,439	4,008,439
2025	3,285,000	719,536	4,004,536
2026	3,410,000	608,649	4,018,649
2027	3,615,000	475,519	4,090,519
2028	3,755,000	346,352	4,101,352
2029	550,000	211,595	761,595
2030	585,000	183,085	768,085
2031	615,000	152,431	767,431
2032	650,000	120,190	770,190
2033	680,000	87,115	767,115
2034	190,000	52,500	242,500
2035	200,000	43,000	243,000
2036	210,000	33,000	243,000
2037	220,000	22,500	242,500
2038	230,000	11,500	241,500
	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2014

	Revenue Series 2002	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008	Defined Area Unlimited Tax Series 2009	Refunding Series 2009	Refunding Series 2010	Defined Area Unlimited Tax Series 2011	Refunding Series 2011	Refunding Series 2012	Refunding Series 2013	Defined Area Unlimited Tax Series 2013
Interest rate	2.50 to 5.90%	3.00 to 5.00%	3.75 to 4.00%	3.75 to 4.00%	4.38 to 6.00%	3.00 to 4.63%	3.50 to 4.00%	4.00 to 5.00%	4.00 to 5.25%	2.00 to 3.00%	2.00 to 3.50%	2.50 to 5.00%
Dates interest payable	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/19	6/1/20	6/1/16	6/1/31	6/1/33	6/1/24	6/1/26	6/1/33	6/1/28	6/1/28	6/1/28	6/1/38
Bonds outstanding, beginning of year	\$ 445,000	1,365,000	680,000	1,755,000	2,220,000	5,485,000	14,280,000	2,305,000	2,075,000	9,240,000	6,080,000	3,500,000
Bonds issued during current year	-	-	-	-	-	-	-	-	-	-	-	-
Bonds retired during current year	(75,000)	(100,000)	(30,000)	(60,000)	(55,000)	(1,530,000)	(1,020,000)	(70,000)	(5,000)	(170,000)	(10,000)	(80,000)
Bonds outstanding, end of year	\$ 370,000	1,265,000	650,000	1,695,000	2,165,000	3,955,000	13,260,000	2,235,000	2,070,000	9,070,000	6,070,000	3,420,000
Interest paid during current year	\$ 24,063	45,950	27,125	90,080	124,350	244,919	506,075	104,338	79,680	273,750	199,475	110,471

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (continued) SEPTEMBER 30, 2014

	<u>Grand Totals</u>
Bonds outstanding, beginning of year	\$ 49,430,000
Bonds issued during current year	-
Bonds retired during current year	<u>(3,205,000)</u>
Bonds outstanding, end of year	<u>\$ 46,225,000</u>
Interest paid during current year	<u>\$ 1,830,276</u>

Paying agent's name & address:	Series 2005, 2007, 2008 2009, 2010, 2012 and 2013	Wells Fargo Bank Minneapolis, Minnesota 55479
	Series 2002	The Bank of New York Mellon Dallas, Texas 75201
	Series 2011	BB&T Governmental Finance Charlotte, North Carolina 28217

	<u>District Tax Bonds*</u>	<u>Defined Area Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond authority:				
Amount authorized	\$ 74,100,000	24,500,000	-	73,844,998
Amount issued	<u>72,000,000</u>	<u>10,255,000</u>	<u>-</u>	<u>73,844,998</u>
Remaining to be issued	<u>\$ 2,100,000</u>	<u>14,245,000</u>	<u>-</u>	<u>-</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investments balances
as of September 30, 2014: \$ 5,314,028

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 2,593,360

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2014

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 5,077,406	5,273,378	5,229,982	5,495,625	4,704,588	45.3 %	46.2	50.5	52.4	50.9
Garbage collection	1,155,136	1,118,324	1,088,081	1,050,938	953,173	10.3	9.8	10.5	10.0	10.3
Inspection fees	120,202	139,136	72,167	76,896	59,632	1.1	1.2	0.7	0.8	0.6
Tap and other connection fees	175,272	200,641	137,749	127,648	129,564	1.6	1.8	1.3	1.2	1.4
Recreation center	1,075,802	1,185,755	1,154,217	1,131,354	920,097	9.6	10.4	11.1	10.8	9.9
Park and recreation fees	146,585	147,719	143,523	127,724	104,377	1.3	1.3	1.4	1.2	1.1
Property taxes, including penalties and interest	3,203,128	2,992,389	2,352,012	2,142,470	2,143,391	28.6	26.2	22.7	20.4	23.2
Investment earnings	26,043	54,225	30,230	28,391	51,964	0.2	0.5	0.3	0.3	0.6
Other	231,349	312,922	155,295	255,778	168,068	2.0	2.6	1.5	2.4	1.8
Bond issuance proceeds	-	-	-	55,777	15,056	-	-	-	0.5	0.2
Total revenues and other sources	11,210,923	11,424,489	10,363,256	10,492,601	9,249,910	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	3,088,208	2,972,309	2,959,280	2,815,268	2,861,339	27.5	26.0	28.6	26.8	30.9
Purchased services for resale	2,496,818	2,600,850	2,360,386	2,310,474	2,472,603	22.3	22.8	22.8	22.0	26.7
Administrative	1,173,831	1,372,324	1,335,015	1,387,076	1,114,696	10.5	12.0	12.9	13.2	12.1
Repairs and maintenance	656,193	722,269	553,151	568,642	567,252	5.9	6.3	5.3	5.4	6.1
Utilities	589,144	606,394	590,411	774,449	678,359	5.3	5.3	5.7	7.4	7.3
Professional services	452,731	479,589	496,149	513,678	394,474	4.0	4.2	4.8	4.9	4.3
Contracted services	383,313	365,273	477,589	364,602	323,893	3.4	3.2	4.6	3.5	3.5
Capital outlay	1,457,914	1,172,031	238,811	167,835	329,110	13.0	10.3	2.3	1.6	3.6
Principal payments	85,731	80,728	92,175	65,000	65,000	0.7	0.7	0.8	0.6	0.7
Interest and fiscal charges	25,080	32,252	31,711	89,992	37,270	0.2	0.3	0.3	0.9	0.4
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,408,963	10,404,019	9,134,678	9,057,016	8,843,996	92.8	91.1	88.1	86.3	95.6
TRANSFERS IN (OUT)	49,998	115,218	(521,548)	236,960	192,730	0.4	1.0	(5.0)	2.3	2.1
PROCEEDS FROM CAPITAL LEASES	-	-	32,506	-	-	-	-	0.3	-	-
PROCEEDS FROM INSURANCE	-	-	368,867	-	-	-	-	3.6	-	-
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	2,400,779	-	-	-	-	26.0
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 851,958	1,135,688	1,108,403	1,672,545	2,999,423	7.6 %	9.9	10.7	16.0	32.4

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND (continued)
FIVE YEARS ENDED SEPTEMBER 30, 2014**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 3,935,544	3,616,509	4,048,769	3,936,546	3,850,549	99.6 %	18.0	99.3	65.7	17.9
Investment earnings	16,307	46,129	27,127	29,177	41,364	0.4	0.2	0.7	0.5	0.2
Proceeds of refunding bonds	-	15,385,000	-	2,029,223	17,174,944	-	76.5	-	33.8	80.0
Premium on refunding debt	-	1,075,145	-	-	402,124	-	5.3	-	-	1.9
Total revenues and other sources	<u>3,951,851</u>	<u>20,122,783</u>	<u>4,075,896</u>	<u>5,994,946</u>	<u>21,468,981</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	3,130,000	2,935,000	2,670,000	2,600,000	2,320,000	79.2	14.6	65.5	43.4	10.8
Interest and fiscal charges	1,798,849	1,639,357	1,981,581	1,936,308	2,350,589	45.5	8.1	48.6	32.3	10.9
Tax appraisal and collection	56,691	53,241	53,368	53,008	52,292	1.4	0.3	1.3	0.9	0.2
Bond issuance costs	6,325	474,741	-	10,062	495,483	0.2	2.4	-	0.2	2.3
Payment to refunded bond escrow agent	-	16,211,975	-	2,051,423	17,050,000	-	80.5	-	34.2	79.4
Other	44	65	-	335	13,518	-	-	-	-	0.1
Total expenditures and other uses	<u>4,991,909</u>	<u>21,314,379</u>	<u>4,704,949</u>	<u>6,651,136</u>	<u>22,281,882</u>	<u>126.3</u>	<u>105.9</u>	<u>115.4</u>	<u>111.0</u>	<u>103.7</u>
TRANSFERS IN	<u>218,492</u>	<u>199,386</u>	<u>188,199</u>	<u>188,492</u>	<u>194,177</u>	<u>5.5</u>	<u>1.0</u>	<u>4.6</u>	<u>3.1</u>	<u>0.9</u>
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	1,435,461	-	-	-	-	6.7
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (821,566)</u>	<u>(992,210)</u>	<u>(440,854)</u>	<u>(467,698)</u>	<u>816,737</u>	<u>(20.8) %</u>	<u>(4.9)</u>	<u>(10.8)</u>	<u>(7.9)</u>	<u>3.9</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,308</u>	<u>5,155</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,403</u>	<u>5,241</u>	<u>5,205</u>	<u>5,132</u>	<u>4,908</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2014

Complete District Mailing Address: 16318 Great Oaks Drive
Round Rock, Texas 78681

District Business Telephone Number: (512) 255-7871

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) July 31, 2013

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

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/14</u>	<u>Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Rebecca B. Tullos	Elected 11/14 - 11/18	7,200 (1)	-	President
Russ Shermer	Elected 11/12-11/16	4,050 (1)	-	Vice President
Shean Dalton	Elected 11/14 - 11/18	4,050 (1)	-	Treasurer
Kim Filiatrault	Elected 11/14 - 11/18	- (1)	-	Secretary
Donna B. Parker	Appointed 7/13-11/16	6,450 (1)	-	Assistant Treasurer and Assistant Secretary
<u>Former Board Members -</u>				
Jeff Goldstein	Elected 5/10-11/14	3,900 (1)	-	Former Secretary

(1) Fees incurred by this director during the current fiscal year were paid subsequent to year end.

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

Key Administrative Personnel:

Mike Petter	2006	\$ 128,216	\$ 320	General Manager
David Gaines	2013	\$ 84,176	\$ 89	Officer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2014

Name and Address	Date Hired	Fees and Expense Reimbursements 9/30/14	Title at Year End
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$ 98,742	Attorney
Judy Osborn	2004	7,045	Attorney
Maxwell Locke & Ritter LLP	2008	32,000	Auditor
Williamson Central Appraisal District	1981	58,849	Tax Appraiser
Williamson County Tax Office	1981	4,532	Tax Collector
Bury Partners	2009	60,101	Engineer
Patterson & Associates	2008	20,000	Investment Advisor
MRB Group	2013	21,949	Engineer
McCall Parkhurst Horton	1994	800	Bond Counsel
Bank of New York, Mellon	2009	7,000	Arbitrage Auditor
RimRock	2,008	17,201	Rate Consultant
Baker-Aicklen & Associates, Inc.	2013	10,614	Engineer
Halff Associates	2011	669,506	Engineer

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2014

		DISTRICT		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Dedicated Oconnor RR LP	Land & Improvements	\$ 74,000,000	-	-
CWS Brushy Creek LP	Land & Improvements	36,633,704	-	-
Highland 620 Land Investment LTD	Land & Improvements	17,802,906	9,208,702	9,345,322
HE Butt Inc.	Land & Improvements	7,700,000	7,458,170	7,458,170
Great American Storage Partners LLC	Land & Improvements	5,232,966	4,598,988	-
MGP, XXII LLC	Land & Improvements	4,998,873	4,675,698	4,300,000
Kopels Perter A & Henry Aaratow	Land & Improvements	4,655,950	4,558,850	4,566,174
Barclay/ Texas Holdings 6 LP	Land & Improvements	4,306,991	-	-
Atmos Energy/MID-Tex Distribution	Land & Improvements	4,042,847	3,576,093	3,468,045
HEB Grocery Company LP	Land & Improvements	4,028,981	4,265,478	4,569,024
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	-	64,348,133	55,355,008
The Park at Brushy Creek LTD	Land & Improvements	-	32,989,667	30,500,000
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	-	-	3,737,933
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Total		\$ 163,403,218	143,259,705	132,632,259
Percent of Assessed Valuation		10.9%	11.2%	11.1%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS (continued) SEPTEMBER 30, 2014

Taxpayer	Type of Property	DEFINED AREA		
		Tax Roll Year		
		2014	2013	2012
Highland 620 Land Investment LTD	Land & Improvements	\$ 17,802,906	9,208,702	9,345,322
Streetman Homes LTD LLP	Land & Improvements	2,167,671	1,445,352	1,353,797
Hy-Land North Joint Venture	Land & Improvements	1,578,829	1,300,204	3,140,551
Hatch House Management Company LLC	Land & Improvements	1,536,099	-	-
Weekley Homes LP	Land & Improvements	649,512	1,231,072	872,647
Standard Pacific Homes Inc	Land & Improvements	599,400	-	-
First Star Bank SSB	Land & Improvements	592,898	456,075	-
McDonald, Alice L	Land & Improvements	556,237	455,577	-
Zaman, Agsar Uz	Land & Improvements	535,994	-	-
O'Brien, Thomas J & Kelly S Craig	Land & Improvements	515,123	-	-
Hofkamp, Michael & Susan	Land & Improvements	-	-	403,088
Harris, Neil C & Lynne J	Land & Improvements	-	-	815,665
Bhandari, Ashraf M & Riaz Karim Ali	Land & Improvements	-	-	399,893
Kallfelz, Paul Jr & Paulette Moose	Land & Improvements	-	471,433	463,041
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Jablonski, Susan M & David B Fogle	Land & Improvements	-	466,049	446,617
Total		\$ 26,534,669	22,614,390	26,573,204
Percent of Assessed Valuation		9.9%	11.0%	15.5%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2014

Type of Property	Tax Roll Year					
	DISTRICT					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 1,265,711,823	84.8%	\$ 1,077,017,811	84.2%	\$ 1,002,166,786	83.9%
Real, Multi Family	116,834,289	7.8%	103,420,703	8.1%	91,925,031	7.7%
Real, Vacant Platted Lots/Tracts	19,968,214	1.3%	22,559,533	1.8%	23,484,294	2.0%
Real, Acreage (Land Only)	9,904	0.0%	638,369	0.0%	722,657	0.1%
Real, Commercial	63,805,898	4.3%	54,449,519	4.3%	49,662,094	4.2%
Real & Intangible Personal, Utilities	6,588,699	0.4%	5,228,081	0.4%	5,043,040	0.4%
Tangible Personal business	6,201,939	0.4%	6,063,603	0.5%	9,971,987	0.8%
Real Inventory	13,677,224	1.0%	9,427,636	0.7%	10,935,611	0.9%
Exempt	-	0.0%	191,577	0.0%	-	0.0%
Total	\$ 1,492,797,990	100%	\$ 1,278,996,832	100%	\$ 1,193,911,500	100%

Type of Property	DEFINED AREA					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 236,496,706	88.3%	\$ 178,722,287	87.0%	\$ 142,871,726	83.3%
Real, Vacant Plotted Lots	15,862,132	5.9%	17,088,933	8.3%	17,360,008	10.1%
Real, Acreage (Land Only)	8,281	0.0%	636,746	0.3%	721,180	0.4%
Real, Commercial & Industrial	1,536,099	0.6%	-	0.0%	-	0.0%
Real & Intangible Personal, Utilities	161,570	0.1%	290,696	0.1%	-	0.0%
Tangible Personal Property	111,291	0.0%	270,496	0.1%	42,788	0.0%
Real Inventory	13,677,224	5.1%	8,462,100	4.2%	10,592,123	6.2%
Total	\$ 267,853,303	100%	\$ 205,471,258	100%	\$ 171,587,825	100%

APPENDIX B
FORM OF BOND COUNSEL OPINION

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD	600 CONGRESS AVENUE	700 N. ST. MARY'S STREET
SUITE 900	SUITE 1800	SUITE 1525
DALLAS, TEXAS 75201-6587	AUSTIN, TEXAS 78701-3248	SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 214 754-9200	TELEPHONE: 512 478-3805	TELEPHONE: 210 225-2800
FACSIMILE: 214 754-9250	FACSIMILE: 512 472-0871	FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,530,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on April 23, 2015, authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the Sendero Springs and Cornerstone Defined Area within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is

subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the Service); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND
INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(Williamson County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: MARCH 26, 2015

\$3,530,000
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS
SERIES 2015

BIDS TO BE SUBMITTED: 2:00 P.M., AUSTIN, TEXAS TIME
BIDS TO BE OPENED: 6:00 P.M., AUSTIN TEXAS TIME
THURSDAY, APRIL 23, 2015



Financial Advisor

OFFICIAL NOTICE OF SALE

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas
located within Williamson County)

SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS
SERIES 2015

BIDS TO BE SUBMITTED BY:
2:00 P.M., THURSDAY, APRIL 23, 2015
AUSTIN, TEXAS TIME

This Official Notice of Sale does not alone constitute an invitation for bids, but is merely notice of sale of the bonds described herein. The invitation for such bids is being made by means of this Official Notice of Sale, the Official Bid Form and the Official Statement. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Williamson County, Texas)
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA UNLIMITED TAX BONDS

SERIES 2015

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of Brushy Creek Municipal Utility District (the "District"), is offering for sale at competitive bid \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds").

SUBMISSION OF BIDS AND/OR BID FORMS: Sealed bids, which must be submitted in duplicate on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to "President and Board of Brushy Creek Municipal Utility District of Williamson County, Texas." All bids, whether by completed signed bid form or by incomplete signed bid forms for use with telephone, facsimile or electronic bids, must be submitted on signed Official Bid Forms, in duplicate, to the office of the District's Financial Advisor, Robert W. Baird & Co., Attn: Jan Bartholomew, 700 Milam, Suite 1300, Houston, Texas, by 2:00 P.M. on Thursday, April 23, 2015. Any bid or bid form submitted after such scheduled time for bid receipt will not be accepted and will be returned unopened.

ELECTRONIC BIDDING PROCEDURE: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 2:00 P.M., Austin, Texas time, Thursday, April 23, 2015, SIGNED Official Bid Forms, in duplicate, to Jan Bartholomew, Robert W. Baird & Co., Attn: Jan Bartholomew, 700 Milam, Suite 1300, Houston, Texas 77002. Subscription to the i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, until 2:00 P.M., Austin, Texas time, on Thursday, April 23, 2015.

Electronically bids must be submitted via PARITY in accordance with this Official Notice of Sale, until 2:00 P.M., Austin, Texas time, but no bid will be received after the time for receiving bids specified above. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, NY 10018, (212) 849-5000.

For purposes of both the written bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net effective interest rate to the District, as described under "CONDITIONS OF THE SALE - Basis of Award" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

BIDS BY TELEPHONE: Bidders must submit, prior to 2:00 P.M., Austin time, Thursday, April 23, 2015, duplicate SIGNED Official Bid Forms to Jan Bartholomew, Robert W. Baird & Co., Attn: Jan Bartholomew, 700 Milam, Suite 1300, Houston, Texas 77002 and submit their bid by telephone on the date of sale by 2:00 P.M., Austin, Texas time.

Jan Bartholomew of Robert W. Baird & Co. will call telephone bidders who have submitted SIGNED Official Bid Forms prior to the date of the sale. Fax bids must be received by 2:00 P.M., Austin, Texas time, on the date of the sale. Contact Jan Bartholomew of Robert W. Baird & Co. on the day of the sale to obtain the fax phone numbers.

Robert W. Baird & Co. will not be responsible for the submission of any bids received after the above deadlines. Robert W. Baird & Co. assumes no responsibility or liability with respect to any irregularities associated with the submission of any bids.

AWARD AND SALE OF THE BONDS: The District will take action to adopt an order (the "Bond Order") authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly after the opening of bids. **The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.**

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated May 1, 2015, with interest payable on December 1, 2015, and each June 1 and December 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form. Principal will be payable to the registered owner(s) of the Bonds (the "Bondholder(s)") upon presentation and surrender at the principal payment office of the paying agent/registrar, initially, Wells Fargo Bank, National Association, Dallas, Texas, (hereinafter sometimes called the "Paying Agent" or the "Registrar"). Interest on the Bonds will be payable by the Paying Agent, as shown on the records of the Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). 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 directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System." The Bonds will mature serially on June 1 in each of the following years in the following amounts:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2016	\$80,000	2028*	\$145,000
2017	95,000	2029*	150,000
2018	100,000	2030*	155,000
2019	100,000	2031*	160,000
2020	105,000	2032*	170,000
2021	110,000	2033*	175,000
2022	115,000	2034*	185,000
2023	120,000	2035*	190,000
2024*	125,000	2036*	200,000
2025*	130,000	2037*	205,000
2026*	135,000	2038*	215,000
2027*	140,000	2039*	225,000

* At the option of the Initial Purchaser as specified in the Official Bid Form, any or all such serial maturities maturing on and after June 1, 2024 may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year.

The Bonds maturing on and after June 1, 2024, are subject to redemption, at the option of the District, in whole or, from time to time, in part, on June 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amount, and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by lot or other customary random method of selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of an exchange Bond in a principal amount equal to the portion of the Bond not so redeemed.

SECURITY FOR PAYMENT: The Bonds, when issued, will constitute valid and special limited binding obligations of the District, secured and payable solely from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the Sendero Springs and Cornerstone Defined Area with the District.

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

USE OF PROCEEDS: Proceeds of the Bonds will be used to pay for (i) a portion of the water, wastewater and drainage facilities to serve Highland Horizons, Phase III; The Enclave at Highland Horizon; and Sendero Springs, Section 7 (ii) engineering costs related to the wastewater and drainage facilities; and (iii) electrical service to Lift Station. In addition, proceeds of the Bonds will be used to pay certain engineering costs, developer interest and issuance costs of the Bonds.

MUNICIPAL BOND RATING: The District has made an application for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than that of Moody's Investor Service ("Moody's"), if applicable, shall be the obligation of the Initial Purchaser. The District will pay the rating fees charged by Moody's.

Moody's has assigned an underlying rating of "___" to the District's credit. In connection with the purchase of the aforementioned municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by Moody's, will be assigned the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of the underlying rating of Moody's and the Moody's rating associated with the guaranty insurance policy issued relating to the Bonds, if any.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "all or none" basis at a price of not less than 97% of the par value thereof, plus accrued interest from the date of the Bonds to the date of delivery. Bidders are to name the rates of interest to be borne by the Bonds, provided that each interest rate bid must be a multiple of 1/8th or 1/20th of 1%. All Bonds maturing within a single year must bear the same rate of interest. The net effective interest rate on the Bonds may not exceed ___%, as calculated pursuant to Chapter 1204 of the Texas Government Code. No limitation will be imposed upon bidders as to the number of rates which may be used, but the highest rate bid may not exceed the lowest rate bid by more than 2-1/2% in interest rate. No bids involving supplemental interest payments will be considered. No bid that generates a cash premium greater than \$5,000 will be considered. Each bid shall indicate the total and net interest costs in dollars and the net effective interest rate determined therefrom, which shall be considered informative only and not as a part of the bid.

BASIS OF AWARD: For the purpose of awarding sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities, and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. Subject to the District's right to reject any or all bids, sale of the Bonds will be awarded to the bidder (the "Initial Purchaser") whose bid, under the above computation, produces the lowest net effective interest rate to the District. The Board reserves the right to reject any or all bids. In the event of mathematical discrepancies between the interest rate(s) bid and the interest cost determined therefrom, as both appear on the Official Bid Form; the bid will be governed solely by the interest rate(s) bid.

GOOD FAITH DEPOSIT: Each bid must be accompanied by a bank cashier's check payable to the order of "Brushy Creek Municipal Utility District" in the amount of \$70,600 which is 2% of the par value of the Bonds (the "Good Faith Deposit"). **"Official Checks" will not be accepted.** The check of the Initial Purchaser will be considered as the Good Faith Deposit and will be retained uncashed by the District pending the Initial Purchaser's compliance with the terms of the bid. In the event the Initial Purchaser should fail or refuse to take up and pay for the Bonds in accordance with such terms, then the Good Faith Deposit will be cashed and the proceeds accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the bid or it may be submitted separately; if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as the Good Faith Deposit of bidders named in such instructions. The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser uncashed on the date of delivery of the Bonds. No interest will be credited on the Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

DELIVERY OF INITIAL BONDS: Initial delivery of the Bonds ("Initial Delivery") will be accomplished by the issuance of one initial Bond in the total principal amount of the Bonds, and exchangeable as set forth below. Unless otherwise agreed with the Initial Purchaser, delivery will be at a corporate trust office of the Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. If, at the time set for closing, the Initial Purchaser has provided the Registrar five (5) business days written notice of its registration instructions, the Initial Purchaser shall not be required to pay for the initial Bonds until the Registrar is able to deliver to the Initial Purchaser definitive, registered Bonds conforming to such registration instructions. The Initial Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about May 21, 2015, and subject to the aforesaid notice, it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the initial Bonds by 2:00 P.M., Austin, Texas time, on Thursday, May 21, 2015, or thereafter on the date the Initial Bonds are tendered for delivery, up to and including June 18, 2015. If for any reason the District is unable to make delivery on or before May 21, 2015, then the District immediately shall contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

EXCHANGE ON DELIVERY DATE: Upon written request of the Initial Purchaser, delivered to the Registrar not less than five (5) business days prior to the date fixed for delivery, the Registrar will, on the delivery date, exchange the Bonds to be delivered by the District for Bonds registered in accordance with instructions contained in such request, in integral multiples of \$5,000, maturing as set out in the Official Notice of Sale and bearing interest in accordance with the terms of the Initial Purchaser's bid.

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

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the Initial Bonds (or definitive Bonds if the Initial Purchaser has provided the Paying Agent with registration instructions as provided above), the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the non-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below.

INITIAL PURCHASER'S CERTIFICATION OF ISSUE PRICE: In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Initial Purchaser will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding the "issue price" of the Bonds substantially in the form accompanying this Official Notice of Sale. In the event the Initial Purchaser will not reoffer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner acceptable to the District. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINIONS: The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are validly issued under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the Sendero Springs and Cornerstone Defined Area within District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of McCall Parkhurst & Horton LLP, Austin, Texas, Bond Counsel, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel, has been engaged by, and only represents, the District.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS: The District has **NOT** designated the Bonds as "qualified tax-exempt obligations."

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and furnish to the Initial Purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending against the District, of which the District has notice, to restrain the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of

payment for the Bonds, there shall have been no material adverse change in the condition of the District (financial or otherwise) subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery. Any action taken by a rating agency with regard to a bond insurer will not constitute a material adverse change in the condition of the District.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), the District and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows.

FINAL OFFICIAL STATEMENT: The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District intends the Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Initial Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the District of the initial offering yields of the Bonds. Thereafter, the District will complete and authorize distribution of the Official Statement identifying the Initial Purchaser and containing such omitted information. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are being or which will be made by the District are those described and contained in the Official Statement under the caption "OFFICIAL STATEMENT - Certification as to Official Statement."

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described above under "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to do so will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (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.

DELIVERY OF OFFICIAL STATEMENTS: The District shall furnish to the Initial Purchaser (and to each participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential purchasers of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(e)(2). The District shall pay the expense of preparing the number of copies of the Official Statement specified in the winning bid and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

CONTINUING DISCLOSURE: The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described

in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchasers' obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchasers or their agent of a certified copy of the Bond Order containing the provisions described under such heading.

SUBSTANTIVE REQUIREMENTS FOR OFFICIAL STATEMENT: The District became obligated in 1994 to make annual disclosure of certain financial information. The District, due to an administrative oversight, inadvertently failed to file the report on a timely basis for fiscal year 2010, which was due by March 30, 2011. However, the District filed the required information on April 13, 2011 and has since instituted procedures to ensure timely filing of all required updated financial information in the future. The District has made all required filings and has established procedures to assure future compliance in a timely manner. Except as noted above, the District is in compliance in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

GENERAL CONSIDERATIONS

REGISTRATION: The Bonds are transferable on the bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged, but the District may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

INVESTMENT CONSIDERATIONS: THE BONDS INVOLVE CERTAIN INVESTMENT RISKS AS SET FORTH IN THE PRELIMINARY OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE PRELIMINARY OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISION. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE INFORMATION SET FORTH THEREIN UNDER THE CAPTION "INVESTMENT CONSIDERATIONS."

RESERVATION OF RIGHTS: The District reserves the right to reject all bids or any bid not conforming with the terms hereof and the right to waive any and all irregularities, except time of filing.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

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

By submission of a bid, the Initial Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register or qualify the Bonds in accordance with the securities laws or regulations of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification, in any jurisdiction where such action is necessary, provided that the District shall not be required to file a general consent to service of process in any jurisdiction.

ADDITIONAL COPIES: Additional copies of the Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement may be obtained from Robert W. Baird & Co., 700 Milam, Suite 1300, Houston, Texas 77002.

Rebecca Tullos
President, Board of Directors
Brushy Creek Municipal Utility District

March 26, 2015

ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers ("Initial Purchasers") which has purchased the Bonds from Brushy Creek Municipal Utility District (the "District"), at competitive sale.

2. All of the Bonds have been offered to members of the public in bona fide initial offering. For purposes of this Bond, the term "public" Does not include any bondhouses, broker dealers, and similar person or organizations acting in the capacity of underwriters or wholesalers (including the Purchaser or members of the selling group or persons that are related to, or controlled by, or acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Bonds was offered to the public at a price which, on the date of such ordering, was reasonably expected by the Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below.

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	___%	2028	\$145,000	___%
2017	95,000	___%	2029	150,000	___%
2018	100,000	___%	2030	155,000	___%
2019	100,000	___%	2031	160,000	___%
2020	105,000	___%	2032	170,000	___%
2021	110,000	___%	2033	175,000	___%
2022	115,000	___%	2034	185,000	___%
2023	120,000	___%	2035	190,000	___%
2024	125,000	___%	2036	200,000	___%
2025	130,000	___%	2037	205,000	___%
2026	135,000	___%	2038	215,000	___%
2027	140,000	___%	2039	225,000	___%

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

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	___%	2028	\$145,000	___%
2017	95,000	___%	2029	150,000	___%
2018	100,000	___%	2030	155,000	___%
2019	100,000	___%	2031	160,000	___%
2020	105,000	___%	2032	170,000	___%
2021	110,000	___%	2033	175,000	___%
2022	115,000	___%	2034	185,000	___%
2023	120,000	___%	2035	190,000	___%
2024	125,000	___%	2036	200,000	___%
2025	130,000	___%	2037	205,000	___%
2026	135,000	___%	2038	215,000	___%
2027	140,000	___%	2039	225,000	___%

6. The Initial Purchaser has/has not purchased bond insurance for the Bonds. The bond insurance, has been purchased from _____ (the "Insurer") for a fee of \$ _____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

7. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain representations set forth in the Federal Tax Certificate prepared by the District in connection with the issuance of the Bonds and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the District 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 law or the application of any laws to these facts.

EXECUTED AND DELIVERED this ___rd day of _____, 2015.

(Name of Initial Purchaser or Manager)

By _____

Title _____

OFFICIAL BID FORM

April 23, 2015

President and Board of Directors
 Brushy Creek Municipal Utility District
 c/o Robert W. Baird & Co.
 Attn: Jan Bartholomew
 700 Milam Street, Suite 1300
 Houston, Texas 77002

Board Members:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Brushy Creek Municipal Utility District (the "District") relating to its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the risk factors set forth in the Preliminary Official Statement dated March 26, 2015. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$ _____ (which represents _____% of par value), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

Maturity (June 1)	Principal Amount	Interest Rate	Maturity (June 1)	Principal Amount	Interest Rate
2016	\$80,000	___%	2028(a)(b)	\$145,000	___%
2017	95,000	___%	2029(a)(b)	150,000	___%
2018	100,000	___%	2030(a)(b)	155,000	___%
2019	100,000	___%	2031(a)(b)	160,000	___%
2020	105,000	___%	2032(a)(b)	170,000	___%
2021	110,000	___%	2033(a)(b)	175,000	___%
2022	115,000	___%	2034(a)(b)	185,000	___%
2023	120,000	___%	2035(a)(b)	190,000	___%
2024(a)(b)	125,000	___%	2036(a)(b)	200,000	___%
2025(a)(b)	130,000	___%	2037(a)(b)	205,000	___%
2026(a)(b)	135,000	___%	2038(a)(b)	215,000	___%
2027(a)(b)	140,000	___%	2039(a)(b)	225,000	___%

- (a) At the option of the Initial Purchaser, any or all of such serial maturities maturing on and after June 1, 2024 may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year.
- (b) Subject to optional redemption, at the option of the District, in whole or, from time to time, in part, on June 1, 2023, or on any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

We hereby designate the following as term bonds ("Term Bonds") with mandatory sinking redemptions.

Term Bond Maturity Date (June 1)	Year of First Mandatory Redemption	Principal Amount of Term Bonds	Interest Rate
_____	_____	\$ _____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%

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

Total Interest Cost from May 1, 2015.....	\$
Plus: Dollar Amount of Discount (or Less: Dollar Amount of Premium).....	\$ _____
NET INTEREST COST.....	\$ _____
NET EFFECTIVE INTEREST RATE.....	_____ %

The initial Bonds shall be registered in the name of Cede & Co.. We will advise the corporate trust office of Wells Fargo Bank, National Association, Dallas, Texas, the Registrar, on forms to be provided by the Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery.

We will require ___ copies of the final Official Statement for dissemination to potential purchasers of the Bonds (not to exceed 250 copies). By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Initial Purchaser described therein, as contemplated by Rule 15c2-12 of the United States Securities and Exchange Commission.

Cashier's Check ("Official Checks" are not acceptable) No. _____, issued by _____ Bank, _____, Texas, and payable to your order in the amount of \$70,600 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions stated in the Official Notice of Sale, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Initial Purchaser uncashed on the date of delivery of the Bonds.

We agree to accept delivery of and make payment for the Initial Bonds in immediately available funds at the corporate trust office of Wells Fargo Bank, National Association, Dallas, Texas, not later than 2:00 P.M., Austin, Texas time, on May 21, 2015, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

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

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

By:

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Brushy Creek Municipal Utility District, Texas this 23rd day of April, 2015.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

Return of \$70,600 Good Faith Deposit is hereby acknowledged:

Firm: _____
By: _____
Date: _____

(For your information you will find attached a list of the group of Initial Purchasers associated with us in this proposal.)

OFFICIAL BID FORM

April 23, 2015

President and Board of Directors
 Brushy Creek Municipal Utility District
 c/o Robert W. Baird & Co.
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Total Interest Cost from May 1, 2015.....	\$
Plus: Dollar Amount of Discount (or Less: Dollar Amount of Premium).....	\$ _____
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NET EFFECTIVE INTEREST RATE.....	_____ %

The initial Bonds shall be registered in the name of Cede & Co.. We will advise the corporate trust office of Wells Fargo Bank, National Association, Dallas, Texas, the Registrar, on forms to be provided by the Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery.

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Secretary, Board of Directors

President, Board of Directors

Return of \$70,600 Good Faith Deposit is hereby acknowledged:

Firm: _____
By: _____
Date: _____

(For your information you will find attached a list of the group of Initial Purchasers associated with us in this proposal.)

\$3,530,000

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

BOND YEARS

Interest accrues from: May 1, 2015

Due: June 1

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>
2016	\$80,000	75.83	75.83
2017	95,000	177.08	252.92
2018	100,000	262.08	515.00
2019	100,000	367.50	882.50
2020	105,000	482.92	1,365.42
2021	110,000	608.33	1,973.75
2022	115,000	743.75	2,717.50
2023	120,000	889.17	3,606.67
2024	125,000	1,044.58	4,651.25
2025	130,000	1,159.58	5,810.83
2026	135,000	1,385.42	7,196.25
2027	140,000	1,570.83	8,767.08
2028	145,000	1,766.25	10,533.33
2029	150,000	1,971.67	12,505.00
2030	155,000	2,187.08	14,692.08
2031	160,000	2,492.92	17,185.00
2032	170,000	2,733.33	19,918.33
2033	175,000	2,983.75	22,902.08
2034	185,000	3,339.58	26,241.67
2035	190,000	3,615.00	29,856.67
2036	200,000	4,005.83	33,862.50
2037	205,000	4,416.67	38,279.17
2038	215,000	4,847.50	43,126.67
2039	225,000	5,298.33	48,425.00
Total Bond Years:		51,966.6667	
Average Maturity:		14.7214 years	

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 26, 2015

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CORPORATIONS.

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

NEW ISSUE – Book-Entry-Only

Moody's(unenanced).... "A2"

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

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

Dated: May 1, 2015

Due: June 1, as shown below

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

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	Maturity (June 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)
2016	\$80,000	—%	—%	2028(b)	\$145,000	—%	—%
2017	95,000	—%	—%	2029(b)	150,000	—%	—%
2018	100,000	—%	—%	2030(b)	155,000	—%	—%
2019	100,000	—%	—%	2031(b)	160,000	—%	—%
2020	105,000	—%	—%	2032(b)	170,000	—%	—%
2021	110,000	—%	—%	2033(b)	175,000	—%	—%
2022	115,000	—%	—%	2034(b)	185,000	—%	—%
2023	120,000	—%	—%	2035(b)	190,000	—%	—%
2024(b)	125,000	—%	—%	2036(b)	200,000	—%	—%
2025(b)	130,000	—%	—%	2037(b)	205,000	—%	—%
2026(b)	135,000	—%	—%	2038(b)	215,000	—%	—%
2027(b)	140,000	—%	—%	2039(b)	225,000	—%	—%

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

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

The Bonds constitute the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The Sendero Springs and Cornerstone Defined Area's voters have authorized an aggregate total of \$24,500,000 principal amount of Sendero Springs and Cornerstone Defined Area Bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the area within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$10,715,000 principal amount of bonds will remain authorized but unissued to finance the waterworks, wastewater and storm drainage system within the Sendero Springs and Cornerstone Defined Area.

The Bonds are offered when, as and if issued and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Coats, Rose, Yale, Ryman & Lee, P.C., Dallas, Texas has been engaged to serve as disclosure counsel for the offering. Delivery of the Bonds is expected through the facilities of DTC on or about May 21, 2015, in Dallas, Texas.

BIDS TO BE SUBMITTED: 2:00 P.M., AUSTIN TIME

BID AWARD: 6:00 P.M., AUSTIN TIME

TURSDAY, APRIL 23, 2015

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 and offer to sell or the solicitation of an offer to buy nor shall there be any 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.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 upon payment of duplication costs, for further 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 Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by _____ (referred to herein as the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of _____% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER - ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OR

THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

The District has made an application for a commitment for municipal bond guaranty insurance on the Bonds. If qualified and the Initial Purchaser elects to purchase municipal bond insurance, the payment of all costs associated with the insurance, including the premium charged by the insurance company, and fees charged by rating companies, other than Moody's Investors Service ("Moody's"), will be the obligation of the Initial Purchaser. The District will pay the rating fees charged by Moody's.

BOND RATINGS

Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's Investors Service.

The District is not aware of any rating assigned to the Bonds other than the rating of Moody's.

FINANCIAL ADVISOR

Robert W. Baird & Co. Incorporated has been engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description \$3,530,000 Brushy Creek Municipal Utility District (the "District") Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015, dated May 1, 2015, and mature on June 1 in each of the years 2016 through 2039.
- Payment of Interest..... Interest on the Bonds accrues from May 1, 2015, and is payable December 1, 2015, and on each June 1 and December 1 thereafter until maturity or prior redemption.
- Other Characteristics The Bonds are registered bonds in integral multiples of \$5,000 within any one maturity. See "THE BONDS – General Description."
- Book-Entry-Only System The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
- Redemption..... Bonds maturing on and after June 1, 2024, shall be subject to redemption at the option of the District, in whole, or from time to time, in part, prior to maturity on June 1, 2023, or on any date thereafter, at par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the District shall determine the maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amounts and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. See "THE BONDS – Redemption Provisions."
- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the Sendero Springs and Cornerstone Defined Area (the "Defined Area" or "Sendero Springs and Cornerstone Defined Area") within the District, which tax under Texas law is not legally limited as to rate or amount. **The Bonds are not secured by any other source including other taxable improvements located within the District but outside the Sendero Springs and Cornerstone Defined Area. The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District**

other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment."

Payment Record..... This is the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The District has never defaulted on the timely payment of principal and interest on its outstanding bonded indebtedness. See "DEFINED AREA DEBT."

Authority for Issuance The voters within the Sendero Springs and Cornerstone Defined Area of the District authorized an aggregate of \$24,500,000 principal amount of bonds at an election on February 2, 2002, for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater and drainage system within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, \$10,715,000 principal amount of bonds will remain authorized but unissued for Sendero Springs and Cornerstone Defined Area purposes. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, an order of the Texas Commission on Environmental Quality, and pursuant to an Order (the "Bond Order") adopted by the Board of Directors of the District. See "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."

Use of Proceeds Proceeds of the Bonds will be used to pay for (i) a portion of the water, wastewater and drainage facilities to serve The Enclave at Highland Horizon and Sendero Springs, Section 7; and (ii) the water, wastewater and drainage facilities for Highland Horizon, Phase III; and (iii) electrical service to a District lift station. In addition, proceeds of the Bonds will be used to pay certain engineering costs, developer interest and issuance costs of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."

Municipal Bond Insurance and Rating An application has been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer and the fees charged by rating companies other than that of Moody's, if applicable, shall be the obligation of the Initial Purchaser. The rating fees charged by Moody's will be paid by the District. Moody's has assigned an unenhanced rating of "A2" to the Bonds.

Bond Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas

General Counsel Freeman & Corbett, Austin, Texas

Disclosure Counsel Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas

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

THE DISTRICT

The District..... Brushy Creek Municipal Utility District (the "District"), of Williamson County, Texas, is a political subdivision of the State of Texas originally created in 1977 as Williamson County Municipal Utility District No. 2 by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,270 acres within its boundaries, all of which lie within Williamson County, Texas. See "THE DISTRICT – General."

Location..... The District currently contains approximately 2,270 acres of land and is located approximately 3-4 miles west of the City of Round Rock and 19 miles north of the City of Austin. Approximately 416.683 acres within the District consist of the "Sendero Springs and Cornerstone Defined Area." The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock"). See "THE DISTRICT – General."

Sendero Springs and Cornerstone Defined Area Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal and interest on the unlimited tax bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District. See "THE SENDERO SRPINGS AND CORNERSTONE DEFINED AREA."

Status of Development within the Sendero Springs and Cornerstone Defined Area..... As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Highland (hereinafter defined) has developed approximately 333.5 acres (1,088 lots) within the Defined Area as the single family

subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, and III; and the Enclave at Highland Horizon..

Highland owns approximately 36 acres intended for commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area." See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

The Developers..... Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers." See "THE DEVELOPERS."

Homebuilders The homebuilder currently active within the Sendero Springs and Cornerstone Defined Area is Standard Pacific Homes. The homebuilders currently are marketing homes in the \$225,000 to \$460,000 price range. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Sales Contracts."

Overlapping District Taxes..... The Sendero Springs and Cornerstone Defined Area lies wholly within the boundaries of the District and is subject to taxes levied by the District to pay debt incurred by the District to serve the entire District as well as the District-wide maintenance tax. For the 2014 tax year, the District levied a total tax rate of \$0.48 per \$100 of assessed valuation on all taxable property located within the District for debt service and maintenance and operation purposes and an additional Defined Area tax of \$0.35 per \$100 of assessed valuation for debt service within the Defined Area. See "DEFINED AREA DEBT – Estimated Overlapping Debt."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2014 Assessed Valuation of the Defined Area.....	\$264,174,702 (a)
(100% of market value as of January 1, 2014)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation of the Defined Area as of January 1, 2015.....	\$320,000,000 (b)
(100% of estimated market value as of January 1, 2015)	
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Outstanding Bonds (as of March 1, 2015).....	\$ 9,515,000
The Bonds	<u>3,530,000</u>
Total	\$ 13,045,000
Estimated Overlapping Debt	\$ 20,447,958
Total Direct and Estimated Overlapping Debt	\$ <u>33,492,958</u> (c)
Direct Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	4.94 %
As a percentage of Estimated Valuation as of January 1, 2015	4.08 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2014 Assessed Valuation.....	12.68 %
As a percentage of Estimated Valuation as of January 1, 2015	10.47 %
Debt Service Fund (as of January 31, 2015)	\$ 1,985,433 (d)
2014 Sendero Springs and Cornerstone Defined Area Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.35
Maintenance	<u>0.00</u>
Total	\$0.35
2014 District Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.25
Maintenance	<u>0.23</u>
Total	\$0.48
Total Tax Rate	\$0.83
Estimated Average Annual Debt Service Requirements	
on the Outstanding Bonds and the Bonds (2015-2039)	\$ 833,814
Estimated Maximum Annual Debt Service Requirement	
on the Outstanding Bonds and the Bonds (2032).....	\$ 986,253
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds	
at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.34
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.28
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds	
(2032) at 95% Tax Collections	
Based Upon 2014 Assessed Valuation (\$264,174,702).....	\$0.40
Based Upon the January 1, 2015 Estimate of Value (\$320,000,000)	\$0.33
Estimated Population as of March 15, 2015.....	2,559 (e)

- (a) As certified by the Williamson Central Appraisal District (the "Appraisal District").
- (b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2014 to January 1, 2015. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) In addition, accrued interest from May 1, 2015 will be deposited into the fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund value shown is prior to any 2015 scheduled debt service payment.
- (e) Based upon 3.5 residents per active single-family equivalent connection.

OFFICIAL STATEMENT

relating to

\$3,530,000

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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

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

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Brushy Creek Municipal Utility District (the "District") of its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order (the "Order" or "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o of McCall, Parkhurst & Horton L.L.P. 600 Congress Avenue, Suite 1800, Austin, Texas 78701-3248, upon payment of duplication costs and delivery charges.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the form of the Bonds contained in the Bond Order. The Bonds will mature on June 1 of the years and in the principal amounts, and will bear interest from May 1, 2015, at the rates per annum, set forth on the cover page.

Interest on the Bonds will be paid on December 1, 2015, and each June 1 and December 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas (the "Paying Agent" or "Registrar"). **No physical delivery of the Bonds will be made to the beneficial owners thereof.** See "- Book-Entry-Only System" below.

The Bonds will be issued in the denomination of \$5,000 principal amount or integral multiples of \$5,000 thereof.

Defeasance

General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance in the Bond Order under certain circumstances. Any Bond and the interest thereon shall

be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, with reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities. Thereafter the District will have no further responsibility with respect to the amounts available to such Paying Agent /Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the Board of Directors also be invested in Defeasance Securities, as hereinafter defined, maturing in the amount and at the times set forth in the Bond Order and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

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

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to the defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State Law. There is no assurance that the ratings for U.S. Treasury securities used as defeasance of those for any other Defeasance Security will be maintained at any particular rating category.

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

Redemption Provisions

The Bonds maturing on and after June 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2023, or on any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

At least 30 calendar days prior to the date fixed for any optional redemption of the Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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

DTC Redemption Provision

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

Book-Entry-Only System

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

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

The Depository Trust Company ("DTC"), New York NY, will act as securities depository for the securities (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Security certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, Dallas, Texas. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Registrar by check mailed on each Interest Payment Date by the Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner ("Registered Owner" or "Bondholder"), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Assignments, Transfers and Exchanges

The Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Underwriter (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Limitation on Transfer of Bonds

In the event the Book-Entry-Only System is discontinued, neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the Registered Owner of the Bonds (i) during the period commencing on the close of business on the Record Date and ending with the opening of business on the next following principal or Interest Payment Date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Registrar will provide a replacement Bond upon (i) the filing by the Registered Owner with the Paying Agent of evidence satisfactory to the Registrar of the destruction, loss or theft of the Bond and the authenticity of the Registered Owner's ownership and (ii) the furnishing to the Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the Registered Owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds are the fifth installment of \$24,500,000 principal amount of bonds authorized at an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002. After the issuance of the Bonds, \$10,715,000 principal amount of authorized bonds will remain authorized but unissued for the Sendero Springs and Cornerstone Defined Area purposes. See "- Issuance of Additional Debt" below.

The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, the February 2, 2002 election, the order of the TCEQ and pursuant to the Bond Order adopted by the Board of Directors of the District.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the Sendero Springs and Cornerstone Defined Area at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as they become due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the Sendero Springs and Cornerstone Defined Area within the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if a city dissolves the District and assumes all debts and liabilities of the District. See "- Annexation" below.

The Bonds are special limited obligations of the District secured solely by an annual ad valorem tax levied on property located within the Sendero Springs and Cornerstone Defined Area (and no other portion of the District) and are not the obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; or any entity other than the District as described herein.

Payment Record

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

Outstanding Bonds

The Bonds are the fifth series of bonds issued by the District for the Sendero Springs and Cornerstone Defined Area. The District previously issued, in original aggregate principal amount, \$2,020,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), \$2,365,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), \$2,370,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), and \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"). As of March 31, 2015, \$9,515,000 principal amount of the Series 2008 Bonds, Series 2009 Bonds, Series 2011 Bonds, and Series 2013 Bonds remains outstanding (the "Outstanding Bonds").

Funds

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

The Bond Order creates or confirms establishment and maintenance by the District of the Debt Service Fund to be used to pay the principal of and interest on and Paying Agent fees in respect of the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (1) accrued interest on the Bonds, (2) all District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements, and (3) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund. The Construction Fund may be applied solely to (1) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued including payment of the costs of issuance, and (2) the extent proceeds of the Bonds deposited to the Construction Fund and investment income attributable thereto are in excess of the amounts require for any such purposes, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to apply the same to one or more other authorized purposes as authorized by the TCEQ.

Issuance of Additional Debt

The District may issue additional Sendero Springs and Cornerstone Defined Area Bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the Sendero Springs and Cornerstone Defined Area was created. See "THE DISTRICT - General." The District's voters within the Sendero Springs and Cornerstone Defined Area have authorized an aggregate of \$24,500,000 principal amount of bonds for the purpose of providing water, wastewater and storm drainage facilities to land within the Sendero Springs and Cornerstone Defined Area. Following the issuance of the Bonds, the District will have \$10,715,000 in authorized but unissued bonds from the February 2, 2002 election to finance water, wastewater, and drainage systems to serve all the land within the Sendero Springs and Cornerstone Defined Area. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Sendero Springs and Cornerstone Defined Area if so authorized by the voters in the Sendero Springs and Cornerstone Defined Area and approved by the District and the TCEQ. See "INVESTMENT CONSIDERATIONS – Future Debt."

At the February 2, 2002 election the Defined Area voters also approved the issuance of refunding bonds by the District in the aggregate principal amount of \$36,750,000. The District may from time to time issue Defined Area refunding bonds.

Subsequent to creation of both the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance, whichever is less.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

The Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the

District, the Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 810 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "INVESTMENT CONSIDERATIONS – Bankruptcy Limitation to Registered Owners' Rights."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district, and the District currently has no plans to do so.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas ("Round Rock" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations including the Bonds and dissolve the District. The District has no control or knowledge of the annexation plans of the City. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that is not served by District facilities, if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

The District may without the consent of or notice to any registered owners amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (2) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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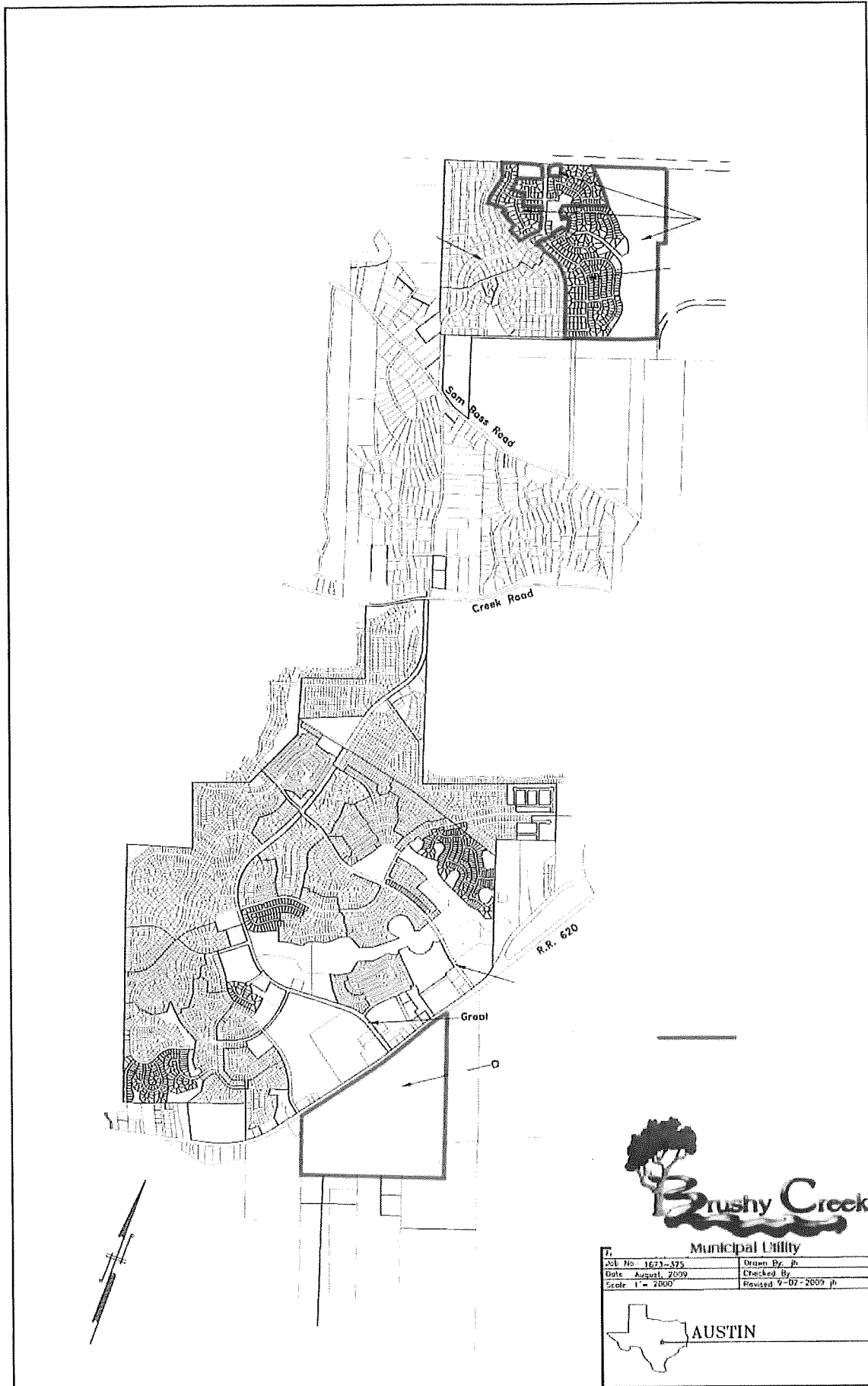
Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to pay for (i) a portion of the water, wastewater and drainage facilities to serve The Enclave at Highland Horizon and Sendero Springs, Section 7; and (ii) the water, wastewater and drainage facilities for Highland Horizon, Phase III; and (iii) electrical service to a District lift station. In addition, proceeds of the Bonds will be used to pay certain engineering costs, developer interest and issuance costs of the Bonds.

CONSTRUCTION COSTS		<u>Amount</u>
A. Developer Contribution Items		
1. Sendero Springs Section 7 – W, WW & D	\$	521,404
2. The Enclave at Highland Horizon – W, WW & D		692,726
3. Highland Horizon Phase III – W, WW & D		1,401,931
4. Engineering (for items 2 & 3)		396,793
5. Electrical Service to Lift Station		<u>5,372</u>
Total Developer Contribution Items	\$	3,018,225
B. District Items		-0-
TOTAL CONSTRUCTION COSTS (85.5% of BIR)		\$3,018,225
NON-CONSTRUCTION COSTS		
A. Legal Fees	\$	35,300
B. Fiscal Agent Fees		50,300
C. Interest		
1. Capitalized Interest		-
2. Developer Interest		202,679
D. Bond Discount		105,900
E. Bond Issuance Expense		67,240
F. Bond Engineering Report		38,000
G. TCEQ Fee		8,825
H. Attorney General Fee		<u>3,530</u>
TOTAL NON-CONSTRUCTION COSTS (14.5% of BIR)	\$	511,775
TOTAL BOND ISSUE REQUIREMENT		\$ 3,530,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

DISTRICT MAPS



Municipal Utility	
ASL No. 1623-875	Drawn By: jh
Date: August, 2009	Checked By:
Scale: 1" = 2000'	Revised: 9-02-2009 jh



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THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA

Pursuant to action taken by the Board of Directors of the District on December 13, 2001 and an election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the District (1) created the Sendero Springs and Cornerstone Defined Area within the boundaries of the District; (2) authorized \$24,500,000 principal amount of unlimited tax bonds for the Sendero Springs and Cornerstone Defined Area; (3) approved the levy of an unlimited ad valorem tax upon the taxable property located within the Sendero Springs and Cornerstone Defined Area to pay principal of and interest on the unlimited tax Sendero Springs and Cornerstone Defined Area bonds; (4) approved a maintenance tax not to exceed \$0.56 to be levied within the Sendero Springs and Cornerstone Defined Area; and (5) approved the issuance of refunding bonds. The Sendero Springs and Cornerstone Defined Area consists of two tracts, Sendero Springs which is approximately 222.785 acres and the Cornerstone Tract which is approximately 193.898 acres. The Bonds are secured solely by an unlimited ad valorem tax levied upon taxable property located within the Sendero Springs and Cornerstone Defined Area. Such tax will be in addition to the taxes levied by the District on all taxable property in the District.

Status of Development

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

As of March 15, 2015, approximately 339 acres have been developed as various single family subdivisions within the Sendero Springs and Cornerstone Defined Area. As of March 15, 2015, improvements within such subdivisions include approximately 1,156 completed homes, 30 homes under construction, and 174 vacant single-family lots. The Defined Area also contains approximately 36 acres developed for future commercial property. In addition, the Sendero Springs and Cornerstone Defined Area contains approximately 42.0 acres of greenbelts and flood plain acres.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval.

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

THE DISTRICT

General

The District was created by order of the Texas Water Commission, predecessor to TCEQ, adopted on October 27, 1977, and a confirmation election held within the District on January 21, 1978, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission and is located entirely within the extraterritorial jurisdiction of the City of Round Rock and within the boundaries of Round Rock Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters of the District and the Commission, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Subsequent to creation of the District and the Defined Area, Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code were amended to authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future. The amount of bonds issued for parks and recreational purposes cannot exceed the amount set forth in the park plan or 1% of the assessed valuation of property within the District at the time of issuance whichever is less. See "THE BONDS – Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

Location

The District is located 19 miles north of the City of Austin. The main portion of the District (southern) is located in Williamson County approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District lies south of FM1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock. Approximately 416.683 acres within the District consist of and are referred to as the "Sendero Springs and Cornerstone Defined Area." The District is comprised of approximately 2,270 acres of which approximately 2,062 acres are developable excluding parkland. Access to the District is provided by Interstate Highway 35 and either FM 620 or FM 1431.

Management of the District

Name	Title	Term Expires
Rebecca Tullos	President	2018
Russ Shermer	Vice President	2016
Kim Filiatrault	Secretary	2018
Donna B. Parker	Assistant Secretary Treasurer	2016
Shean R. Dalton	Treasurer	2016

- Consultants -

Tax Assessor/Collector

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

Auditor

Maxwell Locke & Ritter LLP, Certified Public Accountant, audited the District's September 30, 2014 financial statements. See "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT."

Engineer

The District's primary consulting engineer is Halff Associates Inc.

Bond Counsel

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

General Counsel

The District has engaged Freeman & Corbett, Austin, Texas as general counsel.

Financial Advisor

The District has employed the firm of Robert W. Baird & Co. as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor does not guarantee the accuracy or completeness of such information, and has not made independent evaluation of the work product of the consultants or experts retained by the Issuer.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and

adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

THE DEVELOPERS

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers

Hyland Joint Venture ("HJV") and Hyland North Joint Venture ("HNJV") are the currently active developers within the Sendero Springs and Cornerstone Defined Area. HJV and HNJV each is a joint venture between Brushy Creek Development Corporation and HRI Development Corporation, two wholly owned subsidiaries of Highland Resources, Inc. ("Highland"). HJV, HNJV and related entities have been developing land within other parts of the District since 1978, and Highland Six Twenty Residential, Ltd. and Highland 620 Land Investment, Ltd. Highland majority owned companies are also developing within the District and are collectively referred to hereafter as "Highland" or the "Developers."

Highland is a privately-held Texas corporation with headquarters in Houston. Highland is active in real estate, being developers of large residential, commercial, and industrial projects in several areas of the United States and overseas.

In addition to the land in the Sendero Springs and Cornerstone Defined Area and other parts of the District, Highland either directly or through related entities also manages and is an owner of Southwest Tower, Lamar Village, the historic Driskill Hotel, and the Marble Falls Ranch.

Description of development completed within the Sendero Springs and Cornerstone Defined Area: Highland has developed approximately 339 acres (1,360 lots) within the Defined Area as the single family subdivision Sendero Springs Sections 2-7; Highlands Horizon Phase I, II, III; and the Enclave at Highland Horizon.

Future Development. Highland owns approximately 36 acres intended for residential development and commercial development within Sendero Springs and Cornerstone Defined Area. Virtually, all of such property has received at least the appropriate concept plan approval. See "STATUS OF DEVELOPMENT – Sendero Springs and Cornerstone Defined Area."

Sales Contracts. Highland has entered into lot sales contracts for the sale of 96 of the lots in Sendero Springs, Section Seven to Standard Pacific Homes whom has purchased 84 of its lots. To date, Highland has entered into lot sales contracts for the sale of 234 of the lots in Cornerstone to Standard Pacific, whom has purchased 72 lots. Each contract is secured by a nominal amount of earnest money and the builder is specifically obligated to complete its purchases.

Utility Development Agreements

- Utility Development Agreements -

Each of the Developers has entered into a Utility Development Agreement with the District. Each of such agreements generally provides that the developer shall install the necessary water, sanitary sewer, storm sewer and drainage facilities necessary to serve its property. The Utility Development Agreement provides that the District will issue defined area bonds to purchase the utility facilities at such time as sufficient tax base has been constructed on the property receiving service to allow the District to retire the bonds being issued at a total tax rate of \$0.56 per \$100 of assessed valuation levied upon the property receiving service from the utilities being purchased. See "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA – Status of Development."

- Agricultural Waiver -

Each of the Developers has executed an agreement, which is recorded in the real property records of Williamson County and is a covenant running with the land, waiving the right to have their respective land located within the District classified as agricultural, open-space or timberland. In addition, each developer has waived the right to have its lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on the successors and assignees of each developer. See "TAXING PROCEDURES."

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DEFINED AREA DEBT

General

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

The following tables and calculations relate to the Bonds. Other political subdivisions which overlap all or a portion of the Sendero Springs and Cornerstone Defined Area are empowered to incur debt to be paid from revenues raised or to be raised by taxation of all or a portion of the property within the Sendero Springs and Cornerstone Defined Area.

2014 Assessed Valuation of the Defined Area	\$264,174,702 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Estimate of Value as of January 1, 2015 of the Defined Area	\$320,000,000 (a)
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Debt (as of March 31, 2015).....	\$ 9,515,000
The Bonds	<u>3,530,000</u>
Total	\$ 13,045,000
Estimated Overlapping Debt.....	<u>\$ 20,366,838</u> (b)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 30,146,838</u>
Debt Service Fund Balance (as of January 31, 2015).....	\$ 1,985,433 (c)
Direct Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation.....	4.94 %
As a percentage of Estimated Valuation as of January 1, 2015.....	4.08 %
Direct and Estimated Overlapping Debt Ratios as a percentage of	
As a percentage of 2014 Assessed Valuation.....	12.68 %
As a percentage of Estimated Valuation as of January 1, 2015.....	10.47 %
Area of the Sendero Springs and Cornerstone Defined Area	416.683 acres
Estimated Population as of March 15, 2015	2,559 (e)

- (a) As certified by the Williamson Central Appraisal District ("WCAD") January 1, 2014.
- (b) See "DEFINED AREA DEBT – Estimated Overlapping Debt Statement."
- (c) In addition, accrued interest from May 1, 2015, will be deposited into this fund at the closing of the Bonds to pay interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The fund balance is after the June 1 payment.
- (d) Based upon 3.5 individuals per active single-family equivalent connection.

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

<u>Taxing Body</u>	<u>Outstanding Debt as of February 28, 2015</u>	<u>Percentage</u>	<u>Overlapping Net Debt</u>
Austin Community College District	\$ 82,713,659	0.19%	\$155,694
Brushy Creek MUD	36,340,000	18.27%	6,640,587
Round Rock Independent School District	763,845,000	1.12%	8,530,544
Williamson County	817,769.942	0.63%	5,121,134
TOTAL ESTIMATED OVERLAPPING DEBT			<u>\$20,447,958</u>
The Sendero Springs and Cornerstone Defined Area (a)			<u>13,045,000</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT			<u>\$33,492,958</u>

Ratio of Estimated Direct and Overlapping Debt to 2014 Assessed Valuation.....	12.68%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Value as of January 1, 2015 ...	10.47%

(a) Includes the Bonds

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Overlapping Taxes for 2014

Property within the Sendero Springs and Cornerstone Defined Area is subject to taxation by several taxing authorities in addition to the taxes levied by the District for the Sendero Springs and Cornerstone Defined Area. Under Texas law, when ad valorem taxes are levied by a taxing authority, a lien is created upon the property which has been taxed. A tax lien on property in the Sendero Springs and Cornerstone Defined Area in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the Sendero Springs and Cornerstone Defined Area and of such other jurisdictions (see "DEFINED AREA DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District for the Sendero Springs and Cornerstone Defined Area, are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2014 tax rates levied by such jurisdictions on property within the Sendero Springs and Cornerstone Defined Area. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

<u>Overlapping Entity</u>	<u>2014 Tax Rate Per \$100 of Assessed Valuation</u>
Williamson County	\$0.446529
Round Rock ISD	1.337500
The District	0.480000
Williamson County ESD #2	0.100000
Williamson County FM/RD	0.040000
Upper Brushy Creek WCID 1A	0.020000
Austin Community College District	0.094200
The Defined Area	<u>0.350000</u>
Estimated Total Tax Rate	\$2.868229

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Sendero Springs and Cornerstone Defined Area Debt Service Requirements

The following schedule sets forth the estimated debt service requirements of the District for debt payable in whole or in part from ad valorem taxes within the Sendero Springs and Cornerstone Defined Area.

Year	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest(a)	
2015	\$ 719,369	\$	\$	\$719,369
2016	723,109	80,000	152,967	956,076
2017	726,603	95,000	138,000	959,603
2018	734,113	100,000	134,200	968,313
2019	730,656	100,000	130,200	960,856
2020	736,475	105,000	126,200	967,675
2021	736,394	110,000	122,000	968,394
2022	740,306	115,000	117,600	972,906
2023	742,688	120,000	113,000	975,688
2024	743,288	125,000	108,200	976,488
2025	747,434	130,000	103,200	980,634
2026	749,899	135,000	98,000	982,899
2027	750,649	140,000	92,600	983,249
2028	749,894	145,000	87,000	981,894
2029	747,340	150,000	81,200	978,540
2030	752,758	155,000	75,200	982,958
2031	751,311	160,000	69,000	980,311
2032	753,653	170,000	62,600	986,253
2033	749,808	175,000	55,800	980,608
2034	237,750	185,000	48,800	471,550
2035	238,000	190,000	41,400	469,400
2036	237,750	200,000	33,800	471,550
2037	237,000	205,000	25,800	467,800
2038	235,750	215,000	17,600	468,350
2039		225,000	9,000	234,000
	<u>\$ 15,271,995</u>	<u>\$ 3,530,000</u>	<u>\$ 2,043,367</u>	<u>\$ 20,845,362</u>

Estimated Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2015-2039).....	\$ 833,814
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2032).....	\$ 986,903

(a) For purposes of illustration, interest was estimated at 4.0%.

TAX DATA

General

Taxable property within the Sendero Springs and Cornerstone Defined Area is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on all outstanding debt of the Sendero Springs and Cornerstone Defined Area (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's and Sendero Springs and Cornerstone Defined Area's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the Sendero Springs and Cornerstone Defined Area's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for District-wide operation and maintenance purposes. The Board levied a 2014 tax rate for District-wide debt service purposes of \$0.25 per \$100 of assessed valuation and \$0.23 per \$100 of assessed valuation for District operation and maintenance purposes and \$0.35 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area debt service purposes and \$0.00 per \$100 of assessed valuation for Sendero Springs and Cornerstone Defined Area operation and maintenance purposes

Historical Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the Sendero Springs and Cornerstone Defined Area. Such summary has been prepared for inclusion herein based upon information from the records of the District Tax Assessor/Collector.

Tax Year	Assessed Valuation	Tax Rate/ \$100	Original Tax Levy	Fiscal Year Ending	Collections as of 01/31/2015
2010	122,884,140	0.36	442,383	9-30-11	99.9
2011	144,645,739	0.36	520,725	9-30-12	99.9
2012	171,587,825	0.36	617,716	9-30-13	99.9
2013	205,471,258	0.36	739,697	9-30-14	99.8
2014	267,853,303	0.35	937,487	9-30-15	(a)

(a) Currently being collected

Tax Rate Distribution

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District Debt Service	\$0.25	\$0.25	\$0.25	\$0.30	\$0.31
District Maintenance	0.23	0.25	0.25	0.20	0.19
Sendero Springs and Cornerstone Defined Area Debt Service	0.35	0.36	0.36	0.36	0.36
Sendero Springs and Cornerstone Defined Area Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Tax Rate	<u>\$0.85</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.86</u>

Analysis of Tax Base

The following represents the type of property comprising the 2010-2014 tax rolls:

<u>Type of Property</u>	<u>2014 Assessed Value</u>	<u>2013 Assessed Value</u>	<u>2012 Assessed Value</u>	<u>2011 Assessed Value</u>	<u>2010 Assessed Value</u>
Real Single Family	\$236,496,706	\$178,722,287	\$142,871,726	\$119,835,153	\$ 94,420,077
Real, Vacant Lots	15,862,132	17,088,933	17,360,008	16,084,672	13,954,285
Real, Acreage	8,281	636,746	721,180	2,667,988	2,660,506
Real, Commercial, & Industrial	1,536,099				
Real & Intangible Personal Utilities	161,570	290,696		34,076	13,562
Tangible Personal	111,291	270,496	42,788	162,304	95,169
Real Inventory	<u>13,677,224</u>	<u>8,462,100</u>	<u>10,592,123</u>	<u>5,861,546</u>	<u>11,740,541</u>
Total	<u>\$267,853,303</u>	<u>\$205,471,258</u>	<u>\$171,587,825</u>	<u>\$144,645,739</u>	<u>\$122,884,140</u>

Tax Rate Limitation

The District's tax rate on the Sendero Springs and Cornerstone Defined Area for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect a district-wide annual ad valorem tax for planning, maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any district-wide bonds and the Sendero Springs and Cornerstone Defined Area. At an election held on April 2, 1983, voters within the District authorized a district-wide maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. As reflected above under "Tax Rate Distribution," the District levied a district-wide maintenance tax for 2014 of \$0.23 per \$100 of assessed valuation in the District and no additional maintenance tax in the Sendero Springs and Cornerstone Defined Area. At the election held within the Sendero Springs and Cornerstone Defined Area on February 2, 2002, the voters within the Sendero Springs and Cornerstone Defined Area approved the levy of a maintenance tax within the Sendero Springs and Cornerstone Defined Area not to exceed \$0.56 per \$100 of assessed valuation.

Principal Taxpayers

Taxpayer	Type of Property	Assessed Valuation
		2014 Tax Roll
Highland 620 Land Investment Ltd(a)	Homebuilder	\$17,802,906
Streetman Homes Ltd LLP	Homebuilder	2,167,671
Hy-Land North Joint Venture(a)	Homebuilder	1,578,829
Hatch House Management Company LLC	Homebuilder	1,536,099
Weekley Homes LLC	Homebuilder	649,512
Standard Pacific Homes Inc(b)	Homebuilder	599,400
First Star Bank SSB	Bank	592,898
Homeowner	Residential	535,994
Homeowner	Residential	529,349
Homeowner	Residential	515,123
Total		<u>\$26,507,781</u>
% of Respective Tax Roll		<u>10.03%</u>
(a) See "THE DEVELOPERS"		
(b) See "THE HOMEBUILDERS"		

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements for the Sendero Springs and Cornerstone Defined Area, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Estimated Average Annual Debt Service Requirements on the Outstanding Bonds and the Bonds (2015-2039).....	\$	833,814
\$0.34 Tax Rate on 2014 Assessed Valuation of \$264,174,702 at 95% collections produces	\$	853,284
Estimated Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2032).....	\$	986,253
\$0.40 Tax Rate on 2014 Assessed Valuation of \$264,174,702 @ 95% collections produces.....	\$	1,003,864

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the Sendero Springs and Cornerstone Defined Area of the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which may hereafter be issued for the Sendero Springs and Cornerstone Defined Area and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the district-wide operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters as well as a maintenance tax for the Sendero Springs and Cornerstone Defined Area. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, qualifying surviving spouses of person 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Effective January 1, 2014, a partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2014 tax year, the District has granted a \$10,000 exemption for residents who are disabled or 65 and older. See "TAX DATA."

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

Tax Abatement: The City of Round Rock and/or Williamson County may designate all or a part of the area within the District as a Reinvestment Zone. Williamson County and the District may enter into tax abatement agreements with

owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements and no portion of the District has been designated as a Reinvestment Zone.

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A

"Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2015 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 30 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent.

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

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "DEFINED AREA DEBT – Overlapping Taxes for 2014." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which have been permanently financed by the District with the proceeds of the District's previously issued bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, the TCEQ. According to the District, the design of all such facilities has been approved by all governmental agencies which have approval over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Distribution

Currently the District has peak demands of 5.3 million gallons per day ("MGD") and an average demand of 2.93 MGD.

In 1994, the District purchased from the Brazos River Authority ("BRA") the contractual right to divert and utilize 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional Raw Water Line Project ("Regional Project"). According to the contract with the BRA, the District is responsible for 9.551% of the Regional Project, and the District has been making payments to the BRA in accordance with the contract. Proceeds of the District's outstanding bonds were used to finance the District's own water supply system which includes an 8.2 MGD water treatment plant, transmission line and related facilities. This water is delivered from Stillhouse Hollow Reservoir into Lake Georgetown by the Regional Project.

The District also owns four water wells with a capacity of about 1.7, MGD one which is active and producing 1.2 MGD. These wells are considered to be under the influence of surface water, and thus require treatment similar to that used for surface water.

The District has an intake structure and pumping facilities at Lake Georgetown, a raw water line to the District, raw water holding ponds, a drinking water treatment plant, clear well and water storage facilities, pump station, and the treated water lines and related system improvements necessary to furnish a drinking water supply to the District's customers. The intake has been constructed to provide 10 MGD of water. The raw water line has a capacity of 10 MGD.

The water treatment facility is a state-of-the-art micro/ultra-filtration plant with an initial capacity of 6 MGD, and expandable to 10 MGD by adding additional filters to the system. The clear well/ground storage facilities include two one-million gallon concrete tanks. The pump station is designed to meet the maximum daily and hourly needs of the District at full build-out. The maximum daily needs at full build-out are projected to be 8 MGD.

A 750,000-gallon composite elevated storage tank is located on Neenah Avenue. A 300,000-gallon spheroid elevated storage tank is located in Sendero Springs near FM 1431.

The District owns all the water supply, treatment, and delivery facilities required to provide drinking water for the District through full build-out. The water facility can currently accommodate 8.2 MGD production.

The Sendero Springs portion of the Defined Area is connected to the District's water distribution system and receives water from the District's 300,000 gallon elevated storage tank. The Cornerstone portion of the Defined Area is connected to the District's water distribution system and receives water through a transmission main and the District's 750,000 gallon elevated storage tank.

Wastewater Collection and Treatment

Both of the District’s wastewater treatment plants are now off line and have been demolished. The District has entered into an agreement with the City of Round Rock (“Round Rock”) for wholesale wastewater service through the Brushy Creek Regional Wastewater System (“Regional System”). Development of the Cornerstone portion of the Defined Area is served by gravity to the District’s F.M. 620 lift station which was relocated downstream in 2008 across F.M. 620 from the Cornerstone portion of the Defined Area. The Regional System is owned by Round Rock, the City of Austin, and the City of Cedar Park for the purpose of wholesale wastewater collection and treatment for the customers within the upper Brushy Creek watershed. The District’s contract with Round Rock for wastewater service through the Regional System became effective January 2010 and continues for a term of forty years with renewal options. The District currently has the right to 1,850,000 gallons of capacity in the Regional System, which is sufficient to serve the 7,129 LUEs projected at ultimate buildout.

The Regional System has acquired the Round Rock East WWTP, now known as the Brushy Creek Regional WWTP, which will provide wastewater treatment for customers of the Regional System. This treatment plant is presently constructed and permitted to treat an average wastewater flow rate of 20.0 mgd. The Regional System plans to expand the plant as required to accommodate the demand for wastewater service.

The Sendero Springs portion of the Defined Area is served by gravity wastewater lines in the District’s wastewater collection system that connects to the Regional System. All of the future development in Sendero Springs can be served by gravity lines flowing into the Regional System. All of the future development in Brushy Creek South can be served by gravity lines flowing into existing District interceptor lines.

Storm Drainage

Storm water drainage is provided to the developed portions of the District by a series of storm sewers which convey storm water run-off to Brushy Creek and Lake Creek tributaries to the Brazos River.

100-Year Flood Plain

According to U.S.G.S. topographic maps and Federal Insurance Administration (“FIA”) map, approximately 140 acres of undeveloped land in the District are located in the 100-year flood plain.

Water and Wastewater Operations

- Rate and Fee Schedule -

The District provides water and wastewater service to utility customers within the District, including the Sendero Springs and Cornerstone Defined Area, and charges rates as set by the Board of Directors from time to time. In addition, the District collects certain tap fees, impact fees, and other fees from builders. The rates for water and wastewater service to utility customers of the District which are currently in effect are as follows:

Water (monthly billings)

Residential and Commercial*

	In District	Out of District
Minimum monthly charge	\$14.00	\$37.42
Peak Rates (June-Sept.)		
Per 1,000 gallons used.....	\$2.75/gallon	\$2.75/gallon
Off Peak Rates (Oct.-May)		
Per 1,000 gallons used.....	\$2.10/gallon	\$2.10/gallon

Sewer (monthly billings)

Residential and Commercial*

In District Rates:

Minimum monthly charge	\$6.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.)	\$2.70

Out-of-District Rates:

Minimum monthly charge	\$12.00 min. charge
Per 1,000 gallons water used (based on water used from Nov. – Feb.)	\$10.80

Tap Fees

Water:

Residential.....	\$220.00
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Sewer:

Residential.....	\$60.00
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Impact Fees

Water	\$2,095.00
Wastewater	\$1,804.00

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

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WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical operations of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
REVENUES					
Property Taxes	\$3,203,128	\$2,992,389	\$ 2,352,012	\$ 2,142,470	\$2,143,391
Inspections	120,202	139,136	72,167	76,896	59,632
Water and Wastewater Service	5,077,406	5,273,378	5,229,982	5,495,625	4,704,588
Tap and Other Connection Fees	175,272	200,641	137,749	127,648	129,564
Garbage Service	1,155,136	1,118,324	1,088,081	1,050,938	953,173
Interest and Investment Earnings	26,047	54,225	30,230	28,391	51,964
Recreation Center	1,075,802	1,185,755	1,154,217	1,131,354	920,097
Bond Issuance Proceeds	-0-	-0-	-0-	55,777	15,056
Developer Contribution	-0-	-0-	-0-	-0-	-0-
Miscellaneous	231,349	312,922	913,263	255,778	168,068
Park and Recreation Fees	<u>146,585</u>	<u>147,719</u>	<u>143,523</u>	<u>127,724</u>	<u>104,377</u>
TOTAL REVENUES	<u>\$11,210,923</u>	<u>\$10,704,361</u>	<u>\$11,121,224</u>	<u>\$10,492,601</u>	<u>\$9,249,910</u>
EXPENDITURES					
Current:					
Personnel	\$3,088,208	\$2,972,309	\$2,959,280	\$2,815,268	\$2,861,339
Purchased Services for Resale	2,496,818	2,600,850	2,360,385	2,310,474	2,472,603
Administrative	1,173,831	1,372,624	1,335,015	1,387,076	1,114,969
Repairs and Maintenance	656,193	722,269	553,151	568,642	567,252
Utilities	589,144	606,394	590,411	774,449	678,359
Professional Services	452,731	479,589	496,149	513,678	394,474
Contracted Services	393,313	365,273	477,589	364,602	323,893
Capital Outlay	1,457,914	1,172,031	996,779	167,835	329,110
Principal Payments	85,731	80,728	92,175	65,000	65,000
Interest and Fiscal Charges	25,080	32,252	<u>31,711</u>	<u>89,992</u>	
TOTAL EXPENDITURES	<u>\$10,408,963</u>	<u>\$10,404,019</u>	<u>\$9,892,646</u>	<u>\$9,057,016</u>	<u>\$8,843,996</u>
TRANSFERS IN (OUT)	<u>\$ 49,998</u>	<u>\$ 115,218</u>	<u>\$ (521,548)</u>	<u>\$ 236,960</u>	<u>\$ 192,730</u>
INTERFUND FOREGIVENESS OF DEBT (a)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$2,400,779</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 851,958</u>	<u>\$ 1,135,688</u>	<u>\$ 1,108,403</u>	<u>\$ 1,672,545</u>	<u>\$ 2,999,423</u>
Number of Active Water and Sewer Connections	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,132</u>	<u>4,908</u>

INVESTMENT CONSIDERATIONS

The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Sendero Springs and Cornerstone Defined Area in the District and are not obligations of the State of Texas; Williamson County, Texas; the City of Round Rock, Texas; the areas of the District other than the Sendero Springs and Cornerstone Defined Area; or any other political subdivision. See "THE BONDS - Source of Payment." The ultimate security for payment of principal and interest on the Bonds depends on the ability of the District to collect from the property owners within the Sendero Springs and Cornerstone Defined Area all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the Sendero Springs and Cornerstone Defined Area will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Sendero Springs and Cornerstone Defined Area results from the current market value of single-family and commercial development as well as the construction of improvements within such developments. Continued demand for single family residential lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of residential or commercial construction activity would tend to restrict the growth of property values in the Sendero Springs and Cornerstone Defined Area or could adversely impact existing values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs.

Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Sendero Springs and Cornerstone Defined Area. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the Sendero Springs and Cornerstone Defined Area.

Although located approximately 19 miles from the central downtown business district of the City of Austin, and approximately 3-4 miles from the City of Round Rock the success of development within the Sendero Springs and Cornerstone Defined Area and growth of Sendero Springs and Cornerstone Defined Area taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics. The Austin Metropolitan Area is generally recognized as the location for many computer manufacturing and related companies. The national media has recently reported a downturn in the U.S. economy and job layoffs, including particularly layoffs in the computer manufacturing industry, some of which layoffs have occurred in the Austin Metropolitan Area. As a result of the general economic slowdown, including particularly in the computer manufacturing industry, demand for homes in the Austin Metropolitan Area, including the Sendero Springs and Cornerstone Defined Area, may be adversely affected.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2014 Assessed Valuation of property within the Defined Area (see "SELECTED FINANCIAL INFORMATION") is \$264,174,702. After issuance of the Bonds, the maximum annual debt service requirement will be \$986,253 (2032) and the average annual debt service requirement will be \$833,814 (2015 through 2039 inclusive). Assuming no increase or decrease from the 2014 Assessed Valuation or Estimate of Value as of January 1, 2015, a tax rate of \$0.40 or \$0.33, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$986,253 and a tax rate of \$0.34 or \$0.28, respectively, per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$833,814 (see "DEFINED AREA DEBT –

Sendero Springs and Cornerstone Defined Area Debt Service Requirements"). The District levied a tax rate in 2014, in the Defined Area, for debt service purposes of \$0.35 per \$100 of assessed valuation.

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes within the Sendero Springs and Cornerstone Defined Area each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the Sendero Springs and Cornerstone Defined Area property. Further, the Registered Owners cannot themselves foreclose on property within the Sendero Springs and Cornerstone Defined Area or sell property within the Sendero Springs and Cornerstone Defined Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

Bankruptcy Limitation to Registered Owners' Right

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11

USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the

concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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

Continuing Compliance with Certain Covenants

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

Bond Insurance

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against

redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

The District has not made an independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$10,715,000 authorized but unissued bonds (see "THE BONDS – Issuance of Additional Debt") for Sendero Springs and Cornerstone Defined Area, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the Sendero Springs and Cornerstone Defined Area. 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 \$10,715,000 bonds which have heretofore been authorized by the voters of the Sendero Springs and Cornerstone Defined Area may be issued by the District, with the approval of the TCEQ. If the Sendero Springs and Cornerstone Defined Area does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

Environmental Regulation

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

- I. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- II. Restricting the manner in which wastes are released into the air, water, or soils;
- III. Restricting or regulating the use of wetlands or other property;

- IV. Requiring remedial action to prevent or mitigate pollution;
- V. Imposing substantial liabilities for pollution resulting from facility operations.

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

- Air Quality Issues -

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

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

The area will report semi-annually on the progress of their control measures.

- Water Supply & Discharge Issues -

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than twenty-five (25) or fifteen (15) connections for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

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

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

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on December 11, 2013. The permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems ("MS4s"). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. MS4s who are subject to the renewed MS4 Permit must apply for authorization under the renewed MS4 Permit by June 11, 2014. It is anticipated that the District could incur substantial costs to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

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

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual result could differ materially from those in such forward-looking statements.

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Defined Area. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected

by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B - FORM OF OPINION OF BOND COUNSEL."

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

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

State, Local and Foreign Taxes

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

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District has NOT designated the Bonds as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEFINED AREA DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A (AUDITED FINANCIAL STATEMENTS OF THE DISTRICT)". The District will update and provide this information within twelve months after the end of each of its fiscal years ending in or after 2015. The District will provide the updated information via EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

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

Certain Event Notices

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

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

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District will agree in the Bond Order to provide certain periodic information and notices of certain events in accordance with SEC Rule 15c2-12. The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Bond Order containing the provisions described under such heading.

The District became obligated in 1994 to make annual disclosure of certain financial information. The District, due to an administrative oversight, inadvertently failed to file the report on a timely basis for fiscal year 2010, which was due by March 30, 2011. However, the District filed the required information on April 13, 2011 and has since instituted procedures to ensure timely filing of all required updated financial information in the future. The District has made all required filings and has established procedures to assure future compliance in a timely manner. Except as noted above the District is in compliance with all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the Developers, the District, and from other sources believed to be reliable. No representation is made as the accuracy or completeness of the information derived from sources other than the District. Summaries of certain laws, resolutions and other related documents are included herein subject to the detailed provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Experts

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the Developer's Engineer, and has been included in reliance upon the 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 Ms. Deborah Hunt in reliance upon her authority as an expert in the field of tax assessing and collecting.

Updating the Official Statement During Underwriting Period

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in

this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

President, Board of Directors
Brushy Creek Municipal Utility District

ATTEST:

Secretary, Board of Directors
Brushy Creek Municipal Utility District

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

The information contained in this appendix has been excerpted from the audited financial statements of Brushy Creek Municipal Utility District for the fiscal year ended September 30, 2012. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

The Bonds are limited obligations of the District payable solely from an unlimited ad valorem tax levied on all taxable property within the Sendero Springs and Cornerstone Defined Area within the District. The District provides water services and collects revenues, fees and taxes throughout its service territory and boundaries which includes areas outside of the Sendero Springs and Cornerstone Defined Area. As a result, the District's audited financial statement includes revenues, fees and taxes which are not pledged to the payment of the Bonds. The District's audited financial statements are provided for purposes of compliance with Rule 15c2-12 of the Federal Securities Exchange Act of 1934. Therefore, the District cautions that the financial information set forth herein unrelated to the Sendero Springs and Cornerstone Defined Area should not be construed or interpreted as available or pledged to the payment of the Bonds.



**BRUSHY CREEK
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2014 and
Independent Auditors' Report**



MAXWELL
& LOCKE
RITTER

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, _____
(Name of Duly Authorized District Representative)

of the BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2014 and that copies of the annual audit report have been filed in the District office, located at 16318 Great Oaks Drive, Round Rock, Texas 78681.

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

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

Rebecca B. Tullos, Board President
(Typed Name and Title of above District Representative)

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

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brushy Creek Municipal Utility District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Brushy Creek Municipal Utility District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Advisor"
This firm is not a CPA firm

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality supplemental information and other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Texas Commission on Environmental Quality supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Commission on Environmental Quality supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Maxwell Locke & Ritter LLP

Austin, Texas
January 15, 2015

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis Year Ended September 30, 2014

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2014. Please read it in connection with the District's financial statements that follow.

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

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$18,521,704 (*net position*). Of this amount, \$14,486,607 (*unrestricted net position*) may be used to meet the government's ongoing obligations.
- The District's net property tax values increased by approximately \$85 million or 7.1% from \$1,193,911,500 to \$1,278,996,832. The District-wide and Defined Area tax rates remained the same as prior year at \$0.50 and \$0.36, respectively, per \$100 of assessed value. Total tax revenue increased by approximately \$527,000.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

Other supplementary information is also included.

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

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

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

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

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

Comparative Financial Statements

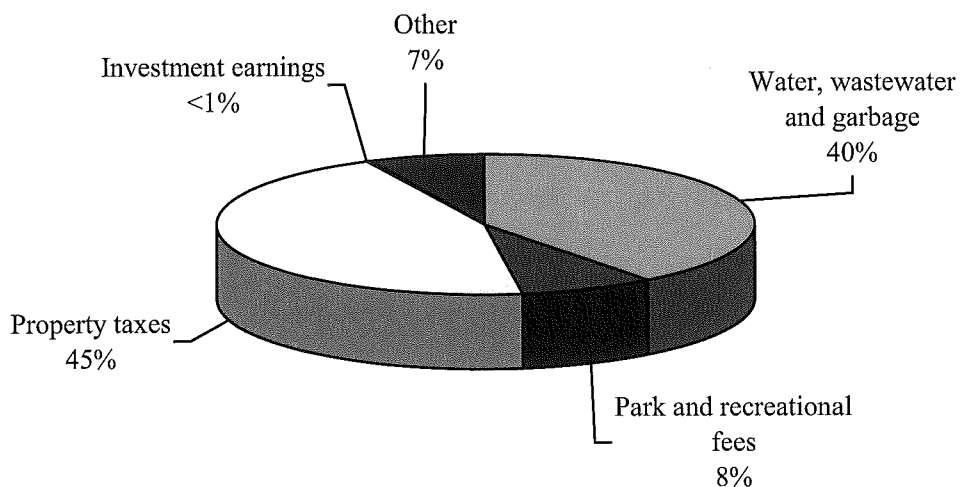
Statement of Net Position

	Governmental Activities		
	2014	2013	% Change
Current and other assets	\$ 22,761,794	\$ 22,334,585	1.9%
Capital assets	45,510,805	46,291,019	(1.7%)
Total assets	\$ 68,272,599	\$ 68,625,604	(0.5%)
Deferred outflows of resources	\$ -	473,691	(100.0%)
Current liabilities	\$ 5,249,113	\$ 5,047,861	4.0%
Long-term liabilities	44,501,782	47,956,247	(7.2%)
Total liabilities	\$ 49,750,895	\$ 53,004,108	(6.1%)
Net investments in capital assets	\$ (624,308)	\$ (3,028,194)	79.4%
Restricted	4,659,405	5,482,131	(15.0%)
Unrestricted	14,486,607	13,641,250	6.2%
Total net position	\$ 18,521,704	\$ 16,095,187	15.1%

The District's total assets were approximately \$68.3 million as of September 30, 2014. Of this amount, approximately \$45.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$49.8 million of which approximately \$44.5 million represent bonds and capital lease payable.

The District's property tax assessed value in fiscal year 2014 (which was based on the 2013 tax levy) was approximately \$1,279 million compared to approximately \$1,194 million in fiscal year 2013. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District's main revenue sources are utility services, property taxes, and recreational fees.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2014	2013	% Change
Water, wastewater and garbage	\$ 6,232,542	\$ 6,391,702	(2.5%)
Property taxes	7,141,820	6,615,089	8.0%
Parks and recreational fees	1,222,387	1,333,474	(8.3%)
Investment earnings	47,192	101,647	(53.6%)
Contributed capital assets	-	1,952,945	(100.0%)
Other	1,117,813	1,339,162	(16.5%)
Total revenues	15,761,754	17,734,019	(11.1%)
Water, wastewater and garbage	2,496,818	2,600,850	(4.0%)
Salary and related expenditures	3,068,389	2,955,637	3.8%
Administrative	1,030,381	1,212,155	(15.0%)
Repairs and maintenance	656,193	722,269	(9.1%)
Utilities	589,144	606,394	(2.8%)
Professional fees	332,304	352,583	(5.8%)
Contracted services	383,313	365,273	4.9%
Other	349,300	364,808	(4.3%)
Debt service	2,191,267	2,744,505	(20.2%)
Depreciation	2,183,019	3,040,679	(28.2%)
Total expenses	13,280,128	14,965,153	(11.3%)
Loss on disposal of capital assets	(55,109)	-	(100.0%)
Change in net position	2,426,517	2,768,866	(12.4%)
Beginning net position	16,095,187	13,326,321	20.8%
Ending net position	\$ 18,521,704	\$ 16,095,187	15.1%

Operating revenues decreased by approximately \$2.0 million to approximately \$15.8 million for the fiscal year ended September 30, 2014. Water, wastewater and garbage service provided approximately \$6.2 million, and property taxes, including penalties and interest, generated approximately \$7.1 million in revenues. The primary decrease in revenues is due to a decrease in contributed capital assets from the developer in the previous year. Total expenses decreased approximately \$1.7 million to approximately \$13.3 million for the fiscal year ended September 30, 2014. Net position increased approximately \$2.4 million for the fiscal year ended September 30, 2014 compared to an increase of approximately \$2.8 million for the fiscal year ended September 30, 2013.

Analysis of Governmental Funds

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,456,351	\$ 6,556,065
Investments	17,429,301	14,817,582
Receivables	844,901	953,303
Interfund receivable	108,487	552,104
Prepays and other assets	31,241	7,635
Total assets	\$ 22,870,281	\$ 22,886,689
Accounts payable	\$ 389,874	\$ 445,270
Refundable deposits	621,306	601,250
Other liabilities	133,531	137,610
Interfund payable	108,487	552,104
Unearned revenue	106,356	561
Total liabilities	1,359,554	1,736,795
Deferred inflows of resources - property taxes	36,383	33,235
Nonspendable fund balance	30,581	7,635
Restricted fund balance	7,969,364	8,331,990
Committed fund balance	4,282,084	4,222,655
Unassigned fund balance	9,192,315	8,554,379
Total fund balances	21,474,344	21,116,659
Total liabilities, deferred inflows of resources and fund balances	\$ 22,870,281	\$ 22,886,689

The *General Fund* pays for daily operating expenditures. Fiscal year 2014 revenues exceeded the budget by 3%. The increase in revenues was across the board and seen in utilities, recreation, fees, and services. Growth in recreation revenue was driven by increased participation in outdoor leagues, contract programs and rentals. Waste water revenue was the source of utility revenues exceeding the budget. This was due to higher water consumption during the winter averaging months than was expected.

Fiscal year 2014 expenditures were under budget by 5%. This was due to several projects not being completed during the budget year including park lighting (\$350,000), trail repairs (\$125,000), and intake pond cleaning at the water facility (\$150,000). Funding for these projects was set aside in reserves and the projects have begun in fiscal year 2015.

For the year ended September 30, 2014, the District came in ahead of budget for the General Fund by approximately \$852,000. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

In addition to the General Fund commitments noted above, the Board of Directors has approved a resolution to set aside \$5,181,628 for a 6-month Operating Reserve and \$1,941,880 for a Revenue Protection Reserve. These amounts are included in unassigned fund balance at year-end.

The *Debt Service Fund* includes property taxes collected to retire bond principal and to pay interest due.

The *Capital Projects Fund* primarily purchases the District's infrastructure.

Capital Assets

	2014	2013
Land	\$ 3,366,372	\$ 3,363,452
Construction in process	783,085	638,665
Water, wastewater, and drainage systems	78,843,836	78,813,981
Easements and rights-of-way	901,891	901,891
Buildings and improvements	4,284,292	4,284,292
Furniture and equipment	418,660	953,699
Park and recreational facilities	6,115,833	5,137,565
Automobiles and trucks	252,650	290,223
Subtotal	94,966,619	94,383,768
Accumulated depreciation	(49,455,814)	(48,092,749)
Total	\$ 45,510,805	\$ 46,291,019

The increase in park and recreational facilities is primarily due to the District completing the Shirley McDonald Park improvement project at a total cost of approximately \$652,000 and the trail extension project which had a total cost of approximately \$166,000.

Management made a decision this year to write off some assets which are fully depreciated. As a result, furniture and equipment and automobiles and trucks decreased approximately \$577,000.

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

Long-Term Debt Activity

	2014	2013
District-wide:		
Series 2002 Revenue Bonds	\$ 370,000	\$ 445,000
Series 2005 Bonds	1,265,000	1,365,000
Series 2007 Bonds	650,000	680,000
Series 2009 Refunding Bonds	3,955,000	5,485,000
Series 2010 Refunding Bonds	13,260,000	14,280,000
Series 2011 Refunding Bonds	2,070,000	2,075,000
Series 2012 Refunding	9,070,000	9,240,000
Series 2013 Refunding	6,070,000	6,080,000
Capital leases payable	4,934	15,665
Total District-wide	36,714,934	39,665,665
Defined Area:		
Series 2008 Bonds	1,695,000	1,755,000
Series 2009 Bonds	2,165,000	2,220,000
Series 2011 Bonds	2,235,000	2,305,000
Series 2013 Bonds	3,420,000	3,500,000
Total Defined Area	9,515,000	9,780,000
Total	\$ 46,229,934	\$ 49,445,665

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

District-wide:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,065,000	1,292,407	4,357,407
2016	2,295,000	1,180,290	3,475,290
2017	2,165,000	1,098,683	3,263,683
2018	2,240,000	1,023,566	3,263,566
2019	2,245,000	945,187	3,190,187
2020-2024	12,585,000	3,437,107	16,022,107
2025-2028	12,115,000	1,053,889	13,168,889
Total	\$ 36,710,000	10,031,129	46,741,129

Defined Area:

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 270,000	455,013	725,013
2016	285,000	443,725	728,725
2017	300,000	432,493	732,493
2018	320,000	420,713	740,713
2019	330,000	407,513	737,513
2020-2024	1,930,000	1,811,963	3,741,963
2025-2029	2,500,000	1,307,762	3,807,762
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	\$ 9,515,000	5,984,503	15,499,503

The District owes approximately \$46.2 million to bond holders. Overall, the principal balance of outstanding bonds and capital leases payable decreased approximately \$3.2 million during the year. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The District-wide 2014 tax rate has been set at \$0.48 per \$100 of assessed valuation. The Sendero Springs/Cornerstone Defined Area has set a 2014 tax rate of \$0.35 per \$100 of assessed valuation. The adopted budget for 2015 projects the General Fund fund balance will remain the same.

The planning and design for a number of other large projects occurred during fiscal year 2014. These projects are also set to start in fiscal year 2015. This includes an expansion of the Community Center which will be funded by a combination of reserves and revenue bonds, water line replacements in Brushy Creek North to be funded by reserves, and a new pavilion in Cat Hollow Park to be funded by current year revenues.

Construction of homes in the last residential development in the District will start in January 2015. As the District reaches residential build out, the last remaining commercial properties are also being developed in the RR 620 and FM 1431 corridors. The slowdown and eventual stop to new development will have an impact on revenue growth in the District.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 16318 Great Oaks Drive, Round Rock, Texas 78681.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS						
Cash and cash equivalents	\$ 4,169,967	284,382	2,002	4,456,351	-	4,456,351
Investments	10,572,976	5,029,646	1,721,142	17,323,764	-	17,323,764
Receivables:						
Service accounts, net	805,461	-	-	805,461	-	805,461
Taxes	16,227	20,156	-	36,383	-	36,383
Other	3,057	-	-	3,057	-	3,057
Due from other funds	91,946	16,541	-	108,487	(108,487)	-
Other assets	660	-	-	660	-	660
Prepaid items	26,359	3,968	254	30,581	-	30,581
Investments held for customer deposits	105,537	-	-	105,537	-	105,537
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	3,366,372	3,366,372
Construction in process	-	-	-	-	783,085	783,085
Easements and rights-of-way	-	-	-	-	662,037	662,037
Water, wastewater and drainage systems	-	-	-	-	34,497,922	34,497,922
Building and improvements	-	-	-	-	2,585,775	2,585,775
Furniture and equipment	-	-	-	-	144,412	144,412
Park and recreational facilities	-	-	-	-	3,357,417	3,357,417
Automobiles and trucks	-	-	-	-	113,785	113,785
Total assets	\$ 15,792,190	5,354,693	1,723,398	22,870,281	45,402,318	68,272,599
LIABILITIES						
Accounts payable	\$ 382,681	7,193	-	389,874	-	389,874
Customer deposits	621,306	-	-	621,306	-	621,306
Other liabilities	133,531	-	-	133,531	-	133,531
Due to other funds	-	91,946	16,541	108,487	(108,487)	-
Accrued bond interest payable	-	-	-	-	592,181	592,181
Unearned revenue	106,356	-	-	106,356	-	106,356
Accrued vacation leave	-	-	-	-	65,931	65,931
Long-term liabilities:						
Due within one year	-	-	-	-	3,339,934	3,339,934
Due after one year	-	-	-	-	44,501,782	44,501,782
Total liabilities	1,243,874	99,139	16,541	1,359,554	48,391,341	49,750,895
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	16,227	20,156	-	36,383	(36,383)	-
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable-						
Prepaid items	26,359	3,968	254	30,581	(30,581)	-
Restricted for:						
Debt service	-	5,231,430	-	5,231,430	(5,231,430)	-
Capital projects	-	-	1,706,603	1,706,603	(1,706,603)	-
Parks capital fees	921,331	-	-	921,331	(921,331)	-
Texas Water Development Board Reserve	110,000	-	-	110,000	(110,000)	-
Committed for repair and replacement of capital assets	4,282,084	-	-	4,282,084	(4,282,084)	-
Unassigned	9,192,315	-	-	9,192,315	(9,192,315)	-
Total fund balances	14,532,089	5,235,398	1,706,857	21,474,344	(21,474,344)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 15,792,190	5,354,693	1,723,398	22,870,281		
Net position:						
Net investments in capital assets					(624,308)	(624,308)
Restricted for debt service					4,659,405	4,659,405
Unrestricted					14,486,607	14,486,607
Total net position					\$ 18,521,704	18,521,704

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Personnel (including benefits)	\$ 3,059,569	-	-	3,059,569	8,820	3,068,389
Water and wastewater purchases	1,443,292	-	-	1,443,292	-	1,443,292
Garbage fees	1,053,526	-	-	1,053,526	-	1,053,526
Administrative	1,030,381	-	-	1,030,381	-	1,030,381
Repairs and maintenance	656,193	-	-	656,193	-	656,193
Utilities	589,144	-	-	589,144	-	589,144
Contracted services	383,313	-	-	383,313	-	383,313
Other consulting	203,208	-	-	203,208	-	203,208
Engineering fees	106,561	-	-	106,561	-	106,561
Legal fees	103,962	-	-	103,962	-	103,962
Security fees	82,781	-	-	82,781	-	82,781
Insurance	54,704	-	-	54,704	-	54,704
Tax appraisal/collection fees	-	56,691	-	56,691	-	56,691
Audit fees	39,000	-	-	39,000	-	39,000
Directors' fees	28,639	-	-	28,639	-	28,639
Other	5,965	44	49	6,058	-	6,058
Capital outlay	1,457,914	-	-	1,457,914	(1,457,914)	-
Debt service:						
Principal payments	85,731	3,130,000	-	3,215,731	(3,215,731)	-
Interest and fiscal charges	25,080	1,798,849	-	1,823,929	361,013	2,184,942
Bond issuance costs	-	6,325	-	6,325	-	6,325
Depreciation	-	-	-	-	2,183,019	2,183,019
Total expenditures/expenses	10,408,963	4,991,909	49	15,400,921	(2,120,793)	13,280,128
REVENUES:						
Program revenues:						
Water and wastewater service	5,077,406	-	-	5,077,406	-	5,077,406
Garbage collection	1,155,136	-	-	1,155,136	-	1,155,136
Inspection fees	120,202	-	-	120,202	-	120,202
Tap and other connection fees	175,272	-	-	175,272	-	175,272
Recreation center	1,075,802	-	-	1,075,802	-	1,075,802
Park and recreation fees	146,585	-	-	146,585	-	146,585
Capital recovery fees	-	-	590,990	590,990	-	590,990
Total program revenues	7,750,403	-	590,990	8,341,393	-	8,341,393
Net program expense						(4,938,735)
General revenues:						
Property taxes, including penalties and interest	3,203,128	3,935,544	-	7,138,672	3,148	7,141,820
Investment earnings	26,043	16,307	4,842	47,192	-	47,192
Other	231,349	-	-	231,349	-	231,349
Total general revenues	3,460,520	3,951,851	4,842	7,417,213	3,148	7,420,361
Total revenues	11,210,923	3,951,851	595,832	15,758,606	3,148	15,761,754
OTHER FINANCING SOURCES (USES):						
Transfers in (out)	49,998	218,492	(268,490)	-	-	-
Loss on disposal of capital assets	-	-	-	-	(55,109)	(55,109)
Total other financing sources (uses)	49,998	218,492	(268,490)	-	(55,109)	(55,109)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES						
	851,958	(821,566)	327,293	357,685	(357,685)	-
Change in net position	-	-	-	-	2,068,832	2,426,517
FUND BALANCES/NET POSITION:						
Beginning of year	13,680,131	6,056,964	1,379,564	21,116,659	(5,021,472)	16,095,187
End of year	\$ 14,532,089	5,235,398	1,706,857	21,474,344	(2,952,640)	18,521,704

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Water, wastewater and garbage services	\$ 6,117,722	6,126,222	6,232,542	106,320
Property taxes, including penalties and interest	3,157,904	3,157,904	3,203,128	45,224
Recreation center	1,059,990	1,080,590	1,075,802	(4,788)
Park and recreation fees	136,100	141,100	146,585	5,485
Tap connection/inspection fees	184,528	184,528	295,474	110,946
Investment earnings	44,331	44,331	26,043	(18,288)
Other	134,800	134,800	231,349	96,549
Total revenues	<u>10,835,375</u>	<u>10,869,475</u>	<u>11,210,923</u>	<u>341,448</u>
EXPENDITURES:				
Service operations:				
Personnel (including benefits)	3,215,077	3,229,077	3,059,569	169,508
Water and wastewater purchases	1,387,595	1,387,595	1,443,292	(55,697)
Garbage fees	1,010,500	1,018,500	1,053,526	(35,026)
Administrative	1,752,185	1,655,753	1,030,381	625,372
Repairs and maintenance	836,880	710,084	656,193	53,891
Utilities	593,050	591,630	589,144	2,486
Contracted services	732,378	521,183	383,313	137,870
Other consulting	42,200	41,700	203,208	(161,508)
Engineering fees	98,000	98,000	106,561	(8,561)
Legal fees	150,000	150,000	103,962	46,038
Security fees	85,000	85,000	82,781	2,219
Insurance	60,250	60,250	54,704	5,546
Tax appraisal/collection fees	1,000	1,000	-	1,000
Audit fees	40,000	40,000	39,000	1,000
Directors' fees	-	-	28,639	(28,639)
Other	6,500	6,500	5,965	535
Capital outlay	987,800	1,286,243	1,457,914	(171,671)
Debt service:				
Principal payments	75,000	75,000	85,731	(10,731)
Interest and fiscal charges	24,063	24,063	25,080	(1,017)
Total expenditures	<u>11,097,478</u>	<u>10,981,578</u>	<u>10,408,963</u>	<u>572,615</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(262,103)	(112,103)	801,960	914,063
OTHER FINANCING SOURCES (USES):				
Transfers in	1,482,076	1,482,076	49,998	(1,432,078)
Transfers out	(1,219,973)	(1,369,973)	-	1,369,973
Total other financing sources, net	<u>262,103</u>	<u>112,103</u>	<u>49,998</u>	<u>(62,105)</u>
Change in fund balance	-	-	851,958	851,958
FUND BALANCES:				
Beginning of year	<u>13,680,131</u>	<u>13,680,131</u>	<u>13,680,131</u>	-
End of year	<u>\$ 13,680,131</u>	<u>13,680,131</u>	<u>14,532,089</u>	<u>851,958</u>

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Municipal Utility District (the "District"), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and cash equivalents - The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. Allowance for uncollectible accounts as of September 30, 2014 was \$111,041.

Capital Assets - Capital assets, which include land, easements and rights-of-way, infrastructure (water, wastewater and drainage systems purchased, constructed or donated), construction in process, buildings and improvements, park and recreational facilities, automobiles and trucks, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in process) are depreciated using the straight line method over the following estimated useful lives: easements and rights-of-way - forty years, buildings and improvements - ten to forty years, water, wastewater and drainage systems - seven to fifty years, park and recreational facilities - ten to twenty-two years, furniture and equipment - six to ten years, automobiles and trucks - five years.

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

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

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

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 12 and 16 hours per month depending on length of employment. District policy allows for a maximum carry-over from the previous fiscal year. The full amount of accrued paid time off, subject to the maximum accrual limits, is paid upon discontinuance of employment with the District. The District's liability for accrued paid time off at September 30, 2014 was \$65,931.

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

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is still evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended September 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended September 30, 2015.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 21,474,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	45,510,805
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	36,383
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued vacation payable	(65,931)
Bonds payable, including premiums	(47,836,782)
Bond interest payable	(592,181)
Capital lease payable	(4,934)
Total net position	<u>\$ 18,521,704</u>

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

Excess of revenues and other financing sources over expenditures	\$ 357,685
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,457,914
Depreciation	(2,183,019)
Loss on disposal of capital assets	(55,109)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	3,148
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	3,205,000
Capital lease proceeds provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net position. Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of capital lease principal	10,731
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued vacation	(8,820)
Amortization of bond premium	114,769
Amortization of deferred charges on refunding	(473,691)
Change in bond interest payable	(2,091)
Change in net position	<u>\$ 2,426,517</u>

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2014, the District's cash balance deposited in banks totaled \$4,456,351 and were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

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

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

Investments held at September 30, 2014 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Public funds investment pools:			
TexPool	\$ 3,307,483	1	AAAm
LOGIC	1,864,102	1	AAA
Municipal bonds - Frost Bank	3,625,451	176	Various
US agencies	1,003,530	355	AA+
Certificates of deposit	7,628,735	245	Various
Total	<u>\$ 17,429,301</u>		

At September 30, 2014, the District had investments in two external local governmental investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC"), municipal bonds, US agencies coupon securities and certificates of deposit.

Although TexPool and LOGIC are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pools' shares.

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

LOGIC is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate LOGIC. LOGIC also has a six member governing board to advise on LOGIC's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with LOGIC. First Southwest Asset Management, Inc. and JPMorgan Chase manage daily operations of LOGIC under contract with the Comptroller and are the investment managers for the pool. LOGIC's investment policy states that it must invest in accordance with the Public Funds Investment Act.

The investments held for customer deposits in the General Fund consist of deposits received from customers to initiate water services with the District. These deposits are to be refunded to customers upon termination of water service with the District and, therefore, are also included as liabilities by the District.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2014, investments were included in local governmental investment pools, municipal bonds, US agencies coupon securities and certificates of deposit with ratings from Standard and Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. Certificates of deposit, US agencies coupon securities and municipal bonds held by the District have set interest rates.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 91,946
Debt Service	Capital Projects	16,541
		\$ 108,487

During the year, the Capital Fund transferred \$49,998 to the General Fund to pay for capital costs associated with the regional wastewater contract and transferred \$218,492 to the Debt Service Fund to pay toward the debt associated with the long term water project.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Retirements and Transfers	Balance September 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,363,452	2,920	-	3,366,372
Construction in process	638,665	783,085	(638,665)	783,085
Total capital assets, not being depreciated	<u>4,002,117</u>	<u>786,005</u>	<u>(638,665)</u>	<u>4,149,457</u>
Capital assets, being depreciated:				
Water, wastewater and drainage systems	78,813,981	305,403	(275,548)	78,843,836
Easements and rights-of-way	901,891	-	-	901,891
Buildings and improvements	4,284,292	-	-	4,284,292
Furniture and equipment	953,699	-	(535,039)	418,660
Park and recreational facilities	5,137,565	339,603	638,665	6,115,833
Automobiles and trucks	290,223	26,903	(64,476)	252,650
Total capital assets, being depreciated	<u>90,381,651</u>	<u>671,909</u>	<u>(236,398)</u>	<u>90,817,162</u>
Less accumulated depreciation for:				
Water, wastewater and drainage systems	(42,928,445)	(1,637,907)	220,438	(44,345,914)
Easements and rights-of-way	(217,306)	(22,548)	-	(239,854)
Buildings and improvements	(1,531,528)	(166,989)	-	(1,698,517)
Furniture and equipment	(761,200)	(48,087)	535,039	(274,248)
Park and recreational facilities	(2,488,020)	(270,396)	-	(2,758,416)
Automobiles and trucks	(166,250)	(37,092)	64,477	(138,865)
Total accumulated depreciation	<u>(48,092,749)</u>	<u>(2,183,019)</u>	<u>819,954</u>	<u>(49,455,814)</u>
Total capital assets, being depreciated, net	<u>42,288,902</u>	<u>(1,511,110)</u>	<u>583,556</u>	<u>41,361,348</u>
Capital assets, net	<u>\$ 46,291,019</u>	<u>(725,105)</u>	<u>(55,109)</u>	<u>45,510,805</u>

6. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	\$ 473,691	-	(473,691)	-

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Bonds payable	\$ 49,430,000	-	(3,205,000)	46,225,000
Premiums on refundings	1,726,551	-	(114,769)	1,611,782
Capital lease payable	15,665	-	(10,731)	4,934
Total	\$ 51,172,216	-	(3,330,500)	47,841,716

Bonds payable at September 30, 2014, is comprised of the following:

	Balance 9/30/2014	Due Within One Year
\$1,500,000, Series 2002, revenue bonds due in annual installments of \$20,000 to \$95,000 through June 1, 2019. Interest varies from 2.50% to 5.90% and is payable June 1 and December 1 each year.	\$ 370,000	80,000
\$9,500,000, Series 2005, serial bonds due in annual installments of \$100,000 to \$595,000 through June 1, 2020. Interest varies from 3.00% to 5.00% and is payable June 1 and December 1 each year.	1,265,000	100,000
\$7,840,000, Series 2007, refunding bonds due in annual installments of \$30,000 to \$325,000 through June 1, 2016. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	650,000	325,000
\$2,020,000, Series 2008, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$60,000 to \$145,000 through June 1, 2031. Interest varies from 3.75% to 4.00% and is payable June 1 and December 1 each year.	1,695,000	65,000

\$2,365,000, Series 2009, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$55,000 to \$195,000 through June 1, 2033. Interest varies from 4.38% to 6.00% and is payable June 1 and December 1 each year.	2,165,000	60,000
\$7,975,000, Series 2009, refunding bonds due in annual installments of \$195,000 to \$1,530,000 through June 1, 2024. Interest varies from 3.00% to 4.63% and is payable June 1 and December 1 each year.	3,955,000	1,315,000
\$17,190,000, Series 2010, refunding bonds due in annual installments of \$255,000 to \$1,960,000 through June 1, 2026. Interest varies from 3.50% to 4.00% and is payable June 1 and December 1 each year.	13,260,000	1,050,000
\$2,370,000, Series 2011, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$65,000 to \$305,000 through June 1, 2033. Interest varies from 4.00% to 5.00% and is payable June 1 and December 1 each year.	2,235,000	65,000
\$2,085,000, Series 2011, refunding bonds due in annual installments of \$5,000 to \$245,000 through June 1, 2028. Interest varies from 4.00% to 5.25% and is payable June 1 and December 1 each year.	2,070,000	5,000
\$9,260,000, Series 2012, refunding bonds due in annual installments of \$20,000 to \$1,600,000 through June 1, 2028. Interest varies from 2.00% to 3.00% and is payable June 1 and December 1 each year.	9,070,000	175,000
\$6,125,000, Series 2013, refunding bonds due in annual installments of \$10,000 to \$1,840,000 through June 1, 2028. Interest varies from 2.00% to 3.50% and is payable June 1 and December 1 each year.	6,070,000	15,000
\$3,500,000, Series 2013, Sendero Springs/Cornerstone Defined Area serial bonds due in annual installments of \$80,000 to \$230,000 through June 1, 2038. Interest varies from 2.50% to 5.00% and is payable June 1 and December 1 each year.	3,420,000	80,000
Total bonds payable	<u>\$ 46,225,000</u>	<u>3,335,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020-2024	14,515,000	5,249,070	19,764,070
2025-2029	14,615,000	2,361,651	16,976,651
2030-2034	2,720,000	595,321	3,315,321
2035-2038	860,000	110,000	970,000
Total	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District except for the Series 2002 Revenue bonds.

Bond covenants for each outstanding issue require that the District maintain utility rates and property tax rates sufficient to operate and maintain the utility system and pay all indebtedness against the system. Covenants also require the District to maintain adequate insurance of the system. The District believes it is in compliance with all significant covenants contained in the debt agreements.

At September 30, 2014, unlimited tax bonds of \$16,345,000 were authorized by the District but unissued of which \$14,245,000 is for improvements to Defined Area water, wastewater and drainage systems and \$2,100,000 is for improvements to District-wide water systems.

The District has a capital lease payable for the purchase of exercise equipment. Principal and interest is due in thirty-six monthly installments of \$452 with an interest rate of 6% and matures in March 2015. The District's capital lease payable at September 30, 2014 was \$4,934. At September 30, 2014, the net carrying value of capital assets related to capital leases was \$18,010.

8. PROPERTY TAXES

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

The combined tax rate was \$0.5000 per \$100 assessed valuation District-wide, except for the Sendero Springs/Cornerstone Defined Area. The Sendero Springs/Cornerstone Defined Area had an additional tax rate of \$0.3600 per \$100 assessed valuation. The total 2013 tax levy was \$7,141,445 based on a District-wide taxable valuation of \$1,278,996,832.

9. AMOUNTS COLLECTED FOR CAPITAL IMPROVEMENTS

By an agreement dated March 29, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers to the District. The fee has been established by contract between the District and the developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled \$590,990 for the year ended September 30, 2014 and are within the Capital Projects Fund.

10. FUND BALANCES

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

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

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

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

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

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

The summary of the fund balances is included in the Governmental Funds Balance Sheet on page 12.

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

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

The Board committed \$4,282,084 of General Fund fund balance to pay for future repairs, replacements and purchases of capital. The amounts committed for funding capital projects as of September 30, 2014 are:

Utility equipment replacement	\$ 37,149
Replacement of water facility membranes	1,000,000
Trail improvements	125,000
Community center equipment replacement	12,455
Park master plan projects	882,969
620 utility work	50,000
Utility improvements	883,602
BRA water line reserves	131,270
Regional waste water improvements	369,639
Sludge removal	150,000
Pepper rock park parking	140,000
Park lighting	500,000
Total committed fund balance	<u>\$ 4,282,084</u>

11. COMMITMENTS AND CONTINGENCIES

The District has entered into several utility development agreements with developers of property within the District. Under the terms of the agreements, a developer funds the cost of construction for water, wastewater and drainage facilities for a specified project which has been approved by the District. The District agrees to purchase the facilities at a price to be determined by the Texas Commission on Environmental Quality, but not to exceed the amount actually expended by the developer plus interest from the dates of expenditure to the date of payment by the District.

In August 1998, the Board authorized the District to enter into a contract with the Brazos River Authority ("BRA") for participation in the Williamson County Raw Water Line Project. The project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown. The BRA expects to issue approximately \$40,000,000 of debt to finance construction of the project for which total debt service payments are anticipated to be approximately 10%, and the District's average annual payment to cover its share of the debt service will be approximately \$210,000.

In October 2000, the Board authorized the District to enter into a contract with the BRA and the Lower Colorado River Authority ("LCRA") for participation in the Sub Regional Wastewater Collection, Treatment and Disposal System. The LCRA utilized its reserved capacity in the system to receive wastewater from the District's wastewater collection system. The cities of Round Rock, Cedar Park, and Austin purchased the wastewater system from the LCRA in December 2009. The District is a customer of the city of Round Rock. The BRA will operate and maintain the system in order to receive wastewater from the customers' wastewater collection systems and to treat and dispose of such wastewater. The District will pay charges on the system, their annual estimates for sub-regional operation and maintenance expenses and the resulting estimates of sub-regional capital charges and sub-regional flow charges. The District's average annual payment will be approximately \$1,100,000 over the next 30 years.

12. PENSION PLAN

The District provides retirement, disability, and death benefits for all of its non temporary full-time employees through a nontraditional defined benefit pension plan in statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 506 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 6.55% for 2014. The contribution rate payable by the District for calendar years 2013 and 2012 was 6.42% and 6.62%, respectively, as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Costs - For the District's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$138,450 and the actual contributions were \$138,450.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contribution rates for calendar years 2013, 2012 and 2011. The December 31, 2013 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30 years	30 years	30 years
Asset valuation method	Ten year smoothed value and fund value	Ten year smoothed value and fund value	Five year smoothed value and fund value

Actuarial Assumptions:

Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend information for the retirement plan for the employees of the District:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2012	\$ 132,340	100%	-
September 30, 2013	133,826	100%	-
September 30, 2014	138,450	100%	-

The following is a schedule of funding progress for the retirement plan for the employees of the District for the three calendar years ended December 31, 2013:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (U/OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll* (c)</u>
December 31, 2011	\$ 1,910,617	1,793,874	(116,743)	106.51%	(6.12%)
December 31, 2012	2,246,736	2,188,381	(58,355)	102.67%	(2.88%)
December 31, 2013	2,611,316	2,455,479	(155,837)	106.35%	(7.46%)

*The annual covered payroll is based on the employer contributions paid to TCDRS for the year ending with the valuation date.

13. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2014

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

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2014

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 11 to basic financial statements.

(C) Pension Coverage

See Note 12 to basic financial statements.

(D) Pledge of Revenues

See Note 7 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 7 to basic financial statements.

(F) Redemption of Bonds

See Note 7 to basic financial statements.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2014

1. Services Provided by the District:

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

2. Retail Service Providers:

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
IN-DISTRICT WATER	\$ 14.00	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
OUT-OF-DISTRICT WATER	\$ 37.42	-	Y	\$ 2.10 winter \$ 2.75 summer	Oct - May June - Sept
IN-DISTRICT WASTEWATER	\$ 6.00	-	N	\$ 2.70	Per 1,000
OUT-OF-DISTRICT WASTEWATER	\$ 12.00	-	N	\$ 10.80	Per 1,000
SURCHARGE	\$ None				

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage:

In-District:	Water: \$ <u>35.00 winter</u> \$ <u>41.50 summer</u>	Wastewater: \$ <u>33.00</u>
Out-of-District:	Water: \$ <u>58.42 winter</u> \$ <u>64.92 summer</u>	Wastewater: \$ <u>120.00</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
<=3/4"	5,514	5,498	x 1.0	5,498
1"	38	38	x 2.5	95
1 1/2"	27	27	x 5.0	135
2"	40	40	x 8.0	320
3"	12	12	x 15.0	180
4"	3	3	x 25.0	75
6"	2	2	x 50.0	100
8"	8	8	x 80.0	640
10"	-	-	x 115.0	-
Total Water	5,644	5,628		7,043
Total Wastewater	5,403	5,403	x 1.0	5,403

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

Gallons pumped into system:	<u>933,078,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>779,635,000</u>	(Gallons billed/Gallons pumped)
		<u>83.56% (1)</u>

(1) The water accountability ratio does not include fire hydrant flushing, water used in fire fighting, loss due to water leaks, or other un-metered loss to the system. The District tracks all of those non-billed sources and for FY 2014 the total known consumption was 795,579,000 gallons for an actual ratio of 85.26%.

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

Does the District have Debt Service standby fees? Yes No

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

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

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

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
YEAR ENDED SEPTEMBER 30, 2014**

5. Location of District:

County(ies) in which District is located: Williamson

Is the District located entirely within one county? Yes No

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

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

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

ETJ's in which District is located: City of Round Rock

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

If yes, by whom? N/A

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2014

Personnel Expenditures (including benefits)	\$ 3,059,569
Professional Fees:	
Auditing	39,000
Legal	103,962
Engineering	106,561
Financial Advisor	-
Purchased Services For Resale-	
Bulk Water and Wastewater Service Purchases	1,443,292
Contracted Services:	
Bookkeeping	-
Utility Manager	-
Appraisal District/Tax Collector	-
Other Contracted Services	383,313
Utilities	589,144
Repairs and Maintenance	656,193
Administrative Expenditures:	
Directors' Fees	28,639
Office Supplies	22,858
Insurance	54,704
Other Administrative Expenses	833,902
Capital Outlay:	
Capitalized Assets	1,457,914
Expenditures not Capitalized	-
Tap Connection Expenditures	173,621
Solid Waste Disposal	1,053,526
Fire Fighting	-
Parks and Recreation	(a)
Other Expenditures	402,765
TOTAL EXPENDITURES	<u>\$ 10,408,963</u>

Number of persons employed by the District: 41 Full-Time 69 Part-Time
(Does not include independent contractors or consultants; however, does include seasonal staff)

(a) Parks and recreation costs are included within the various General Fund expenditures above.
For the year ended September 30, 2014, parks and recreation expenditures were \$3,119,334.

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2014

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2014	Accrued Interest Receivable at September 30, 2014
General Fund					
Investment in LOGIC	742006801003	Variable	N/A	\$ 195,503	\$ -
Investment in LOGIC	742006801002	Variable	N/A	105,537	-
Investment in TexPool	2461600008	Variable	N/A	888,337	-
Investment in TexPool	2461600001	Variable	N/A	516,915	-
Certificate of deposit in Tx Security	10092	0.50%	10/21/2014	248,711	-
Certificate of deposit in East West Bank	01-72357047	0.40%	4/12/2015	2,013,797	-
Certificate of deposit in Texas Citizens Bank	8029282	0.50%	9/24/2015	246,227	-
Brokered certificate of deposit	063248EV6	0.35%	3/17/2015	245,000	-
Brokered certificate of deposit	05961SBJ2	0.30%	2/19/2015	245,000	-
Brokered certificate of deposit	3814J2Y7	0.40%	8/27/2015	245,000	-
Brokered certificate of deposit	139800BM7	0.30%	3/18/2015	245,000	-
Brokered certificate of deposit	30246ADH8	0.40%	9/25/2015	245,000	-
Brokered certificate of deposit	065680HG8	0.30%	2/12/2015	245,000	-
Brokered certificate of deposit	030590DT7	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	23204HBY	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	073296BG9	0.40%	8/31/2015	245,000	-
Brokered certificate of deposit	17417QAK9	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	75524KCW2	0.50%	6/30/2015	245,000	-
Brokered certificate of deposit	2546715W6	0.55%	9/10/2015	245,000	-
Brokered certificate of deposit	38147J4M1	0.40%	9/10/2015	245,000	-
Brokered certificate of deposit	534732AC6	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	71270QGL4	0.45%	9/10/2015	245,000	-
Brokered certificate of deposit	853117PA1	0.40%	9/11/2015	245,000	-
Brokered certificate of deposit	320844PA5	0.40%	3/10/2015	245,000	-
Brokered certificate of deposit	80280JBF7	0.40%	3/10/2015	245,000	-
Municipal Bonds	644682T55	2.00%	4/1/2015	760,298	-
Municipal Bonds	20772GD96	4.40%	3/15/2015	292,883	-
Municipal Bonds	46615MAD3	0.40%	10/1/2014	500,060	-
US Agencies	3134G56P5	0.50%	6/24/2016	500,245	-
Totals				10,678,513	-
Debt Service Fund					
Investment in LOGIC	2006801001	Variable	N/A	587,616	-
Investment in LOGIC	2006801013	Variable	N/A	498,525	-
Investment in TexPool	449/246160004	Variable	N/A	1,161,295	-
Brokered certificate of deposit	57116AHT8	0.45%	8/6/2015	245,000	-
Brokered certificate of deposit	33583CGE3	0.30%	3/13/2015	220,000	-
Brokered certificate of deposit	87164DFD7	0.45%	8/7/2015	245,000	-
Municipal Bonds	59259YA74	4.00%	11/15/2014	1,051,730	-
Municipal Bonds	235036SY7	2.19%	11/1/2015	1,020,480	-
Totals				5,029,646	-
Capital Projects Fund					
Investment in LOGIC	2006801009	Variable	N/A	476,462	-
Investment in LOGIC	2006801012	Variable	N/A	459	-
Investment in TexPool	449/246160007	Variable	N/A	740,936	-
US Agencies	3135G0FY4	0.750%	12/19/2014	503,285	-
Totals				1,721,142	-
TOTAL ALL FUNDS				\$ 17,429,301	\$ -

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2014

	Maintenance Taxes	Debt Service Taxes		
TAXES RECEIVABLE, SEPTEMBER 30, 2013	\$ 14,009	\$ 19,226		
2013 Tax Roll	3,201,042	3,940,403		
Adjustments	(3,809)	(13,200)		
Total to be accounted for	<u>3,211,242</u>	<u>3,946,429</u>		
Tax collections:				
Current year	3,192,750	3,922,897		
Prior years	2,265	3,376		
Total collections	<u>3,195,015</u>	<u>3,926,273</u>		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
TAXES RECEIVABLE, BY YEARS:				
2013	\$ 8,202	\$ 8,309		
2012	2,746	2,658		
2011	1,595	2,340		
2010	1,137	1,835		
2009 and prior	2,547	5,014		
TAXES RECEIVABLE, SEPTEMBER 30, 2014	<u>\$ 16,227</u>	<u>\$ 20,156</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY VALUATIONS-				
Net assessed property valuation:				
District-wide	\$ 1,278,996,832	1,193,911,500	1,162,948,436	1,106,704,060
Defined Area	205,471,258	171,587,825	144,727,844	120,884,140
TAX RATES PER \$100 VALUATION:				
Debt service tax rates	\$ 0.2500	0.2500	0.3000	0.3100
Maintenance tax rates	0.2500	0.2500	0.2000	0.1900
District-wide	0.5000	0.5000	0.5000	0.5000
Defined Area	0.3600	0.3600	0.3600	0.3600
ORIGINAL TAX LEVY	<u>\$ 7,141,445</u>	<u>6,611,512</u>	<u>6,391,741</u>	<u>6,070,576</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	REVENUE SERIES 2002			UNLIMITED TAX SERIES 2005			UNLIMITED TAX REFUNDING SERIES 2007		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 80,000	20,200	100,200	100,000	40,450	140,450	325,000	26,000	351,000
2016	85,000	16,000	101,000	-	34,950	34,950	325,000	13,000	338,000
2017	90,000	11,410	101,410	-	34,950	34,950	-	-	-
2018	95,000	6,460	101,460	-	34,950	34,950	-	-	-
2019	20,000	1,140	21,140	570,000	34,950	604,950	-	-	-
2020	-	-	-	595,000	17,850	612,850	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 370,000</u>	<u>55,210</u>	<u>425,210</u>	<u>1,265,000</u>	<u>198,100</u>	<u>1,463,100</u>	<u>650,000</u>	<u>39,000</u>	<u>689,000</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014

DUE DURING FISCAL YEARS ENDING 9/30	DEFINED AREA UNLIMITED TAX SERIES 2008			ULIMITED TAX DEFINED AREA SERIES 2009			UNLIMITED TAX REFUNDING SERIES 2009		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 65,000	86,480	151,480	60,000	121,875	181,875	1,315,000	176,069	1,491,069
2016	70,000	82,580	152,580	65,000	119,250	184,250	505,000	116,894	621,894
2017	70,000	79,080	149,080	65,000	116,406	181,406	535,000	94,169	629,169
2018	75,000	75,580	150,580	70,000	113,563	183,563	195,000	70,094	265,094
2019	80,000	71,830	151,830	75,000	109,888	184,888	210,000	61,319	271,319
2020	85,000	67,830	152,830	80,000	105,950	185,950	215,000	51,869	266,869
2021	90,000	63,580	153,580	85,000	101,750	186,750	230,000	43,269	273,269
2022	90,000	59,080	149,080	95,000	97,288	192,288	240,000	33,781	273,781
2023	95,000	54,580	149,580	100,000	92,300	192,300	245,000	23,281	268,281
2024	100,000	49,830	149,830	105,000	86,300	191,300	265,000	12,256	277,256
2025	105,000	44,830	149,830	115,000	80,000	195,000	-	-	-
2026	110,000	39,580	149,580	120,000	73,100	193,100	-	-	-
2027	120,000	34,080	154,080	130,000	65,900	195,900	-	-	-
2028	125,000	28,080	153,080	140,000	58,100	198,100	-	-	-
2029	130,000	21,580	151,580	150,000	49,700	199,700	-	-	-
2030	140,000	14,820	154,820	160,000	40,700	200,700	-	-	-
2031	145,000	7,540	152,540	170,000	31,100	201,100	-	-	-
2032	-	-	-	185,000	20,900	205,900	-	-	-
2033	-	-	-	195,000	10,725	205,725	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 1,695,000</u>	<u>880,960</u>	<u>2,575,960</u>	<u>2,165,000</u>	<u>1,494,795</u>	<u>3,659,795</u>	<u>3,955,000</u>	<u>683,001</u>	<u>4,638,001</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2010			DEFINED AREA UNLIMITED TAX SERIES 2011			UNLIMITED TAX REFUNDING SERIES 2011		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 1,050,000	480,575	1,530,575	65,000	101,363	166,363	5,000	79,488	84,488
2016	1,085,000	454,325	1,539,325	65,000	98,600	163,600	5,000	79,296	84,296
2017	1,130,000	421,775	1,551,775	75,000	95,837	170,837	5,000	79,104	84,104
2018	1,170,000	387,875	1,557,875	80,000	92,650	172,650	10,000	78,912	88,912
2019	1,215,000	346,925	1,561,925	80,000	89,250	169,250	175,000	78,528	253,528
2020	1,270,000	304,400	1,574,400	85,000	85,850	170,850	175,000	71,808	246,808
2021	1,320,000	253,600	1,573,600	85,000	82,450	167,450	185,000	65,088	250,088
2022	1,375,000	200,800	1,575,800	90,000	79,050	169,050	190,000	57,984	247,984
2023	1,430,000	145,800	1,575,800	95,000	75,450	170,450	200,000	50,688	250,688
2024	-	88,600	88,600	100,000	71,650	171,650	205,000	43,008	248,008
2025	255,000	88,600	343,600	105,000	67,525	172,525	215,000	35,136	250,136
2026	1,960,000	78,400	2,038,400	110,000	63,194	173,194	225,000	26,880	251,880
2027	-	-	-	110,000	58,244	168,244	230,000	18,240	248,240
2028	-	-	-	115,000	53,294	168,294	245,000	9,408	254,408
2029	-	-	-	120,000	47,975	167,975	-	-	-
2030	-	-	-	125,000	42,425	167,425	-	-	-
2031	-	-	-	135,000	36,331	171,331	-	-	-
2032	-	-	-	290,000	29,750	319,750	-	-	-
2033	-	-	-	305,000	15,250	320,250	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
	<u>\$ 13,260,000</u>	<u>3,251,675</u>	<u>16,511,675</u>	<u>2,235,000</u>	<u>1,286,138</u>	<u>3,521,138</u>	<u>2,070,000</u>	<u>773,568</u>	<u>2,843,568</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX REFUNDING SERIES 2012			UNLIMITED TAX REFUNDING SERIES 2013			DEFINED AREA UNLIMITED TAX SERIES 2013		
	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total	Principal Due 6/1	Interest Due 6/1, 12/1	Total
2015	\$ 175,000	270,350	445,350	15,000	199,275	214,275	80,000	145,295	225,295
2016	275,000	266,850	541,850	15,000	198,975	213,975	85,000	143,295	228,295
2017	390,000	258,600	648,600	15,000	198,675	213,675	90,000	141,170	231,170
2018	755,000	246,900	1,001,900	15,000	198,375	213,375	95,000	138,920	233,920
2019	40,000	224,250	264,250	15,000	198,075	213,075	95,000	136,545	231,545
2020	45,000	223,050	268,050	15,000	197,775	212,775	100,000	134,170	234,170
2021	660,000	221,700	881,700	15,000	197,475	212,475	105,000	131,370	236,370
2022	685,000	201,900	886,900	15,000	197,025	212,025	110,000	128,220	238,220
2023	710,000	181,350	891,350	15,000	196,575	211,575	115,000	124,645	239,645
2024	1,600,000	160,050	1,760,050	685,000	196,125	881,125	120,000	120,620	240,620
2025	730,000	112,050	842,050	1,635,000	175,575	1,810,575	125,000	115,820	240,820
2026	750,000	90,150	840,150	-	126,525	126,525	135,000	110,820	245,820
2027	1,110,000	67,650	1,177,650	1,775,000	126,525	1,901,525	140,000	104,880	244,880
2028	1,145,000	34,350	1,179,350	1,840,000	64,400	1,904,400	145,000	98,720	243,720
2029	-	-	-	-	-	-	150,000	92,340	242,340
2030	-	-	-	-	-	-	160,000	85,140	245,140
2031	-	-	-	-	-	-	165,000	77,460	242,460
2032	-	-	-	-	-	-	175,000	69,540	244,540
2033	-	-	-	-	-	-	180,000	61,140	241,140
2034	-	-	-	-	-	-	190,000	52,500	242,500
2035	-	-	-	-	-	-	200,000	43,000	243,000
2036	-	-	-	-	-	-	210,000	33,000	243,000
2037	-	-	-	-	-	-	220,000	22,500	242,500
2038	-	-	-	-	-	-	230,000	11,500	241,500
	<u>\$ 9,070,000</u>	<u>2,559,200</u>	<u>11,629,200</u>	<u>6,070,000</u>	<u>2,471,375</u>	<u>8,541,375</u>	<u>3,420,000</u>	<u>2,322,610</u>	<u>5,742,610</u>

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (continued)
SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2015	\$ 3,335,000	1,747,420	5,082,420
2016	2,580,000	1,624,015	4,204,015
2017	2,465,000	1,531,176	3,996,176
2018	2,560,000	1,444,279	4,004,279
2019	2,575,000	1,352,700	3,927,700
2020	2,665,000	1,260,552	3,925,552
2021	2,775,000	1,160,282	3,935,282
2022	2,890,000	1,055,128	3,945,128
2023	3,005,000	944,669	3,949,669
2024	3,180,000	828,439	4,008,439
2025	3,285,000	719,536	4,004,536
2026	3,410,000	608,649	4,018,649
2027	3,615,000	475,519	4,090,519
2028	3,755,000	346,352	4,101,352
2029	550,000	211,595	761,595
2030	585,000	183,085	768,085
2031	615,000	152,431	767,431
2032	650,000	120,190	770,190
2033	680,000	87,115	767,115
2034	190,000	52,500	242,500
2035	200,000	43,000	243,000
2036	210,000	33,000	243,000
2037	220,000	22,500	242,500
2038	230,000	11,500	241,500
	<u>\$ 46,225,000</u>	<u>16,015,632</u>	<u>62,240,632</u>

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2014

	Revenue Series 2002	Unlimited Tax Series 2005	Refunding Series 2007	Defined Area Unlimited Tax Series 2008	Defined Area Unlimited Tax Series 2009	Refunding Series 2009	Refunding Series 2010	Defined Area Unlimited Tax Series 2011	Refunding Series 2011	Refunding Series 2012	Refunding Series 2013	Defined Area Unlimited Tax Series 2013
Interest rate	2.50 to 5.90%	3.00 to 5.00%	3.75 to 4.00%	3.75 to 4.00%	4.38 to 6.00%	3.00 to 4.63%	3.50 to 4.00%	4.00 to 5.00%	4.00 to 5.25%	2.00 to 3.00%	2.00 to 3.50%	2.50 to 5.00%
Dates interest payable	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1	6/1; 12/1
Maturity dates	6/1/19	6/1/20	6/1/16	6/1/31	6/1/33	6/1/24	6/1/26	6/1/33	6/1/28	6/1/28	6/1/28	6/1/38
Bonds outstanding, beginning of year	\$ 445,000	1,365,000	680,000	1,755,000	2,220,000	5,485,000	14,280,000	2,305,000	2,075,000	9,240,000	6,080,000	3,500,000
Bonds issued during current year	-	-	-	-	-	-	-	-	-	-	-	-
Bonds retired during current year	(75,000)	(100,000)	(30,000)	(60,000)	(55,000)	(1,530,000)	(1,020,000)	(70,000)	(5,000)	(170,000)	(10,000)	(80,000)
Bonds outstanding, end of year	\$ 370,000	1,265,000	650,000	1,695,000	2,165,000	3,955,000	13,260,000	2,235,000	2,070,000	9,070,000	6,070,000	3,420,000
Interest paid during current year	\$ 24,063	45,950	27,125	90,080	124,350	244,919	506,075	104,338	79,680	273,750	199,475	110,471

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (continued) SEPTEMBER 30, 2014

	<u>Grand Totals</u>
Bonds outstanding, beginning of year	\$ 49,430,000
Bonds issued during current year	-
Bonds retired during current year	<u>(3,205,000)</u>
Bonds outstanding, end of year	<u>\$ 46,225,000</u>
Interest paid during current year	<u>\$ 1,830,276</u>

Paying agent's name & address:	Series 2005, 2007, 2008 2009, 2010, 2012 and 2013	Wells Fargo Bank Minneapolis, Minnesota 55479
	Series 2002	The Bank of New York Mellon Dallas, Texas 75201
	Series 2011	BB&T Governmental Finance Charlotte, North Carolina 28217

	<u>District Tax Bonds*</u>	<u>Defined Area Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond authority:				
Amount authorized	\$ 74,100,000	24,500,000	-	73,844,998
Amount issued	<u>72,000,000</u>	<u>10,255,000</u>	-	<u>73,844,998</u>
Remaining to be issued	<u>\$ 2,100,000</u>	<u>14,245,000</u>	-	<u>-</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investments balances
as of September 30, 2014: \$ 5,314,028

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 2,593,360

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND FIVE YEARS ENDED SEPTEMBER 30, 2014

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
GENERAL FUND										
REVENUES:										
Water and wastewater service	\$ 5,077,406	5,273,378	5,229,982	5,495,625	4,704,588	45.3 %	46.2	50.5	52.4	50.9
Garbage collection	1,155,136	1,118,324	1,088,081	1,050,938	953,173	10.3	9.8	10.5	10.0	10.3
Inspection fees	120,202	139,136	72,167	76,896	59,632	1.1	1.2	0.7	0.8	0.6
Tap and other connection fees	175,272	200,641	137,749	127,648	129,564	1.6	1.8	1.3	1.2	1.4
Recreation center	1,075,802	1,185,755	1,154,217	1,131,354	920,097	9.6	10.4	11.1	10.8	9.9
Park and recreation fees	146,585	147,719	143,523	127,724	104,377	1.3	1.3	1.4	1.2	1.1
Property taxes, including penalties and interest	3,203,128	2,992,389	2,352,012	2,142,470	2,143,391	28.6	26.2	22.7	20.4	23.2
Investment earnings	26,043	54,225	30,230	28,391	51,964	0.2	0.5	0.3	0.3	0.6
Other	231,349	312,922	155,295	255,778	168,068	2.0	2.6	1.5	2.4	1.8
Bond issuance proceeds	-	-	-	55,777	15,056	-	-	-	0.5	0.2
Total revenues and other sources	11,210,923	11,424,489	10,363,256	10,492,601	9,249,910	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Personnel (including benefits)	3,088,208	2,972,309	2,959,280	2,815,268	2,861,339	27.5	26.0	28.6	26.8	30.9
Purchased services for resale	2,496,818	2,600,850	2,360,386	2,310,474	2,472,603	22.3	22.8	22.8	22.0	26.7
Administrative	1,173,831	1,372,324	1,335,015	1,387,076	1,114,696	10.5	12.0	12.9	13.2	12.1
Repairs and maintenance	656,193	722,269	553,151	568,642	567,252	5.9	6.3	5.3	5.4	6.1
Utilities	589,144	606,394	590,411	774,449	678,359	5.3	5.3	5.7	7.4	7.3
Professional services	452,731	479,589	496,149	513,678	394,474	4.0	4.2	4.8	4.9	4.3
Contracted services	383,313	365,273	477,589	364,602	323,893	3.4	3.2	4.6	3.5	3.5
Capital outlay	1,457,914	1,172,031	238,811	167,835	329,110	13.0	10.3	2.3	1.6	3.6
Principal payments	85,731	80,728	92,175	65,000	65,000	0.7	0.7	0.8	0.6	0.7
Interest and fiscal charges	25,080	32,252	31,711	89,992	37,270	0.2	0.3	0.3	0.9	0.4
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,408,963	10,404,019	9,134,678	9,057,016	8,843,996	92.8	91.1	88.1	86.3	95.6
TRANSFERS IN (OUT)	49,998	115,218	(521,548)	236,960	192,730	0.4	1.0	(5.0)	2.3	2.1
PROCEEDS FROM CAPITAL LEASES	-	-	32,506	-	-	-	-	0.3	-	-
PROCEEDS FROM INSURANCE	-	-	368,867	-	-	-	-	3.6	-	-
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	2,400,779	-	-	-	-	26.0
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 851,958	1,135,688	1,108,403	1,672,545	2,999,423	7.6 %	9.9	10.7	16.0	32.4

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND (continued)
FIVE YEARS ENDED SEPTEMBER 30, 2014**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 3,935,544	3,616,509	4,048,769	3,936,546	3,850,549	99.6 %	18.0	99.3	65.7	17.9
Investment earnings	16,307	46,129	27,127	29,177	41,364	0.4	0.2	0.7	0.5	0.2
Proceeds of refunding bonds	-	15,385,000	-	2,029,223	17,174,944	-	76.5	-	33.8	80.0
Premium on refunding debt	-	1,075,145	-	-	402,124	-	5.3	-	-	1.9
Total revenues and other sources	<u>3,951,851</u>	<u>20,122,783</u>	<u>4,075,896</u>	<u>5,994,946</u>	<u>21,468,981</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Principal payments	3,130,000	2,935,000	2,670,000	2,600,000	2,320,000	79.2	14.6	65.5	43.4	10.8
Interest and fiscal charges	1,798,849	1,639,357	1,981,581	1,936,308	2,350,589	45.5	8.1	48.6	32.3	10.9
Tax appraisal and collection	56,691	53,241	53,368	53,008	52,292	1.4	0.3	1.3	0.9	0.2
Bond issuance costs	6,325	474,741	-	10,062	495,483	0.2	2.4	-	0.2	2.3
Payment to refunded bond escrow agent	-	16,211,975	-	2,051,423	17,050,000	-	80.5	-	34.2	79.4
Other	44	65	-	335	13,518	-	-	-	-	0.1
Total expenditures and other uses	<u>4,991,909</u>	<u>21,314,379</u>	<u>4,704,949</u>	<u>6,651,136</u>	<u>22,281,882</u>	<u>126.3</u>	<u>105.9</u>	<u>115.4</u>	<u>111.0</u>	<u>103.7</u>
TRANSFERS IN	218,492	199,386	188,199	188,492	194,177	5.5	1.0	4.6	3.1	0.9
INTERFUND FORGIVENESS OF DEBT	-	-	-	-	1,435,461	-	-	-	-	6.7
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (821,566)</u>	<u>(992,210)</u>	<u>(440,854)</u>	<u>(467,698)</u>	<u>816,737</u>	<u>(20.8) %</u>	<u>(4.9)</u>	<u>(10.8)</u>	<u>(7.9)</u>	<u>3.9</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,628</u>	<u>5,552</u>	<u>5,371</u>	<u>5,308</u>	<u>5,155</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,403</u>	<u>5,241</u>	<u>5,205</u>	<u>5,132</u>	<u>4,908</u>					

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2014

Complete District Mailing Address: 16318 Great Oaks Drive
Round Rock, Texas 78681

District Business Telephone Number: (512) 255-7871

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) July 31, 2013

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

<u>Name and Address</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/14</u>	<u>Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Rebecca B. Tullos	Elected 11/14 - 11/18	7,200 (1)	-	President
Russ Shermer	Elected 11/12-11/16	4,050 (1)	-	Vice President
Shean Dalton	Elected 11/14 - 11/18	4,050 (1)	-	Treasurer
Kim Filiatrault	Elected 11/14 - 11/18	- (1)	-	Secretary
Donna B. Parker	Appointed 7/13-11/16	6,450 (1)	-	Assistant Treasurer and Assistant Secretary
<u>Former Board Members -</u>				
Jeff Goldstein	Elected 5/10-11/14	3,900 (1)	-	Former Secretary

(1) Fees incurred by this director during the current fiscal year were paid subsequent to year end.

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

Key Administrative Personnel:

Mike Petter	2006	\$ 128,216	\$ 320	General Manager
David Gaines	2013	\$ 84,176	\$ 89	Officer

(continued)

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued) SEPTEMBER 30, 2014

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/14</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Freeman & Corbett, L.L.P.	2002	\$ 98,742	Attorney
Judy Osborn	2004	7,045	Attorney
Maxwell Locke & Ritter LLP	2008	32,000	Auditor
Williamson Central Appraisal District	1981	58,849	Tax Appraiser
Williamson County Tax Office	1981	4,532	Tax Collector
Bury Partners	2009	60,101	Engineer
Patterson & Associates	2008	20,000	Investment Advisor
MRB Group	2013	21,949	Engineer
McCall Parkhurst Horton	1994	800	Bond Counsel
Bank of New York, Mellon	2009	7,000	Arbitrage Auditor
RimRock	2,008	17,201	Rate Consultant
Baker-Aicklen & Associates, Inc.	2013	10,614	Engineer
Halff Associates	2011	669,506	Engineer

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2014

		DISTRICT		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Dedicated Oconnor RR LP	Land & Improvements	\$ 74,000,000	-	-
CWS Brushy Creek LP	Land & Improvements	36,633,704	-	-
Highland 620 Land Investment LTD	Land & Improvements	17,802,906	9,208,702	9,345,322
HE Butt Inc.	Land & Improvements	7,700,000	7,458,170	7,458,170
Great American Storage Partners LLC	Land & Improvements	5,232,966	4,598,988	-
MGP, XXII LLC	Land & Improvements	4,998,873	4,675,698	4,300,000
Kopels Perter A & Henry Aaratow	Land & Improvements	4,655,950	4,558,850	4,566,174
Barclay/ Texas Holdings 6 LP	Land & Improvements	4,306,991	-	-
Atmos Energy/MID-Tex Distribution	Land & Improvements	4,042,847	3,576,093	3,468,045
HEB Grocery Company LP	Land & Improvements	4,028,981	4,265,478	4,569,024
Amaravathi LTD Partnership & Amaravathi Keerthi LLC	Land & Improvements	-	64,348,133	55,355,008
The Park at Brushy Creek LTD	Land & Improvements	-	32,989,667	30,500,000
Laquinta Medical Partners LP & Bruce & M. Voedean Simpson Tr of Simpson Fam Trust	Land & Improvements	-	-	3,737,933
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Total		\$ 163,403,218	143,259,705	132,632,259
Percent of Assessed Valuation		10.9%	11.2%	11.1%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-1. PRINCIPAL TAXPAYERS (continued) SEPTEMBER 30, 2014

		DEFINED AREA		
Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Highland 620 Land Investment LTD	Land & Improvements	\$ 17,802,906	9,208,702	9,345,322
Streetman Homes LTD LLP	Land & Improvements	2,167,671	1,445,352	1,353,797
Hy-Land North Joint Venture	Land & Improvements	1,578,829	1,300,204	3,140,551
Hatch House Management Company LLC	Land & Improvements	1,536,099	-	-
Weekley Homes LP	Land & Improvements	649,512	1,231,072	872,647
Standard Pacific Homes Inc	Land & Improvements	599,400	-	-
First Star Bank SSB	Land & Improvements	592,898	456,075	-
McDonald, Alice L	Land & Improvements	556,237	455,577	-
Zaman, Agsar Uz	Land & Improvements	535,994	-	-
O'Brien, Thomas J & Kelly S Craig	Land & Improvements	515,123	-	-
Hofkamp, Michael & Susan	Land & Improvements	-	-	403,088
Harris, Neil C & Lynne J	Land & Improvements	-	-	815,665
Bhandari, Ashraf M & Riaz Karim Ali	Land & Improvements	-	-	399,893
Kallfelz, Paul Jr & Paulette Moose	Land & Improvements	-	471,433	463,041
Highland 620 Residential LTD	Land & Improvements	-	7,579,926	9,332,583
Jablonski, Susan M & David B Fogle	Land & Improvements	-	466,049	446,617
Total		\$ 26,534,669	22,614,390	26,573,204
Percent of Assessed Valuation		9.9%	11.0%	15.5%

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2014

Type of Property	Tax Roll Year					
	DISTRICT					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 1,265,711,823	84.8%	\$ 1,077,017,811	84.2%	\$ 1,002,166,786	83.9%
Real, Multi Family	116,834,289	7.8%	103,420,703	8.1%	91,925,031	7.7%
Real, Vacant Platted Lots/Tracts	19,968,214	1.3%	22,559,533	1.8%	23,484,294	2.0%
Real, Acreage (Land Only)	9,904	0.0%	638,369	0.0%	722,657	0.1%
Real, Commercial	63,805,898	4.3%	54,449,519	4.3%	49,662,094	4.2%
Real & Intangible Personal, Utilities	6,588,699	0.4%	5,228,081	0.4%	5,043,040	0.4%
Tangible Personal business	6,201,939	0.4%	6,063,603	0.5%	9,971,987	0.8%
Real Inventory	13,677,224	1.0%	9,427,636	0.7%	10,935,611	0.9%
Exempt	-	0.0%	191,577	0.0%	-	0.0%
Total	\$ 1,492,797,990	100%	\$ 1,278,996,832	100%	\$ 1,193,911,500	100%

Type of Property	DEFINED AREA					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Real, Single Family	\$ 236,496,706	88.3%	\$ 178,722,287	87.0%	\$ 142,871,726	83.3%
Real, Vacant Plotted Lots	15,862,132	5.9%	17,088,933	8.3%	17,360,008	10.1%
Real, Acreage (Land Only)	8,281	0.0%	636,746	0.3%	721,180	0.4%
Real, Commercial & Industrial	1,536,099	0.6%	-	0.0%	-	0.0%
Real & Intangible Personal, Utilities	161,570	0.1%	290,696	0.1%	-	0.0%
Tangible Personal Property	111,291	0.0%	270,496	0.1%	42,788	0.0%
Real Inventory	13,677,224	5.1%	8,462,100	4.2%	10,592,123	6.2%
Total	\$ 267,853,303	100%	\$ 205,471,258	100%	\$ 171,587,825	100%

APPENDIX B
FORM OF BOND COUNSEL OPINION

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

*[An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.]*

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,530,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on April 23, 2015, authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the Sendero Springs and Cornerstone Defined Area within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is

subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the Service); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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 Initial Purchaser in connection with the issuance of the Bonds. The capitalized words and terms used herein shall have the meanings unless otherwise defined herein, given in Exhibit "A" attached hereto.

2. Any certificate signed by an official of the District delivered to the Initial Purchaser 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.

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

MATTERS RELATING TO THE DISTRICT

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

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

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

7. No litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provision made for their payment or

security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened.

8. Neither the corporate existence nor boundaries of 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.

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

10. The District is a conservation and reclamation district operating and existing 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.

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

Name	Office	Term of Office Expires
Rebecca B. Tullos	President	November 2018
Russ Shermer	Vice President	November 2016
Kim Filiatrault	Secretary	November 2018
Shean Dalton	Treasurer	November 2016
Donna B. Parker	Director	November 2016

12. Each member of the Board of Directors of the District has duly qualified as a member of the Board of Directors by executing the sworn statement (when required), by executing the bond required by law, and by taking the official oath of office prescribed by the Constitution for public officers, each such bond was duly approved by the Board of Directors of the District, and each such bond, sworn statement and oath are filed and retained in the District's records and with the Secretary of State. The officers and members of the District's Board of Directors since the issuance of the Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013 on September 19, 2013 are set forth in Exhibit "C" attached hereto.

13. The proceeds of the Bonds will be used for the specific plants, works and facilities included in the plans adopted for the Sendero Springs and Cornerstone Defined Area, or to serve the Sendero Springs and Cornerstone Defined Area pursuant to Section 54.809 of the Texas Water Code.

14. The currently outstanding tax debt of the District's Sendero Springs and Cornerstone Defined Area is set forth in Exhibit "D" hereto.

15. The comparative benefits of the Sendero Springs and Cornerstone Defined Area in the District make it equitable to levy the tax on the defined area because the Cornerstone and

Sendero Springs tracts were the only remaining large tracts left undeveloped in the District, and there was no remaining bond authorization left within the District. The likelihood of development of the two tracts without further bond authorization was in question, and the Sendero Springs and Cornerstone Defined Area would be beneficial by: (i) helping achieve increased assessed valuation for the entire District, (ii) benefitting potential homeowners and commercial owners by making lots more economically feasible through the use of tax-exempt financing, (iii) combining the two tracts to provide the critical mass necessary to make a bond issuance economically feasible and (iv) not burdening the existing taxpayers in the District for improvements in the Defined Area. The improvements funded by the proceeds of the Bonds is a step in the build-out process of the Sendero Springs tract, which benefits the Cornerstone tract by providing a mechanism for the subsequent development of the Cornerstone tract, thereby benefitting both tracts of the Defined Area.

16. The currently effective ad valorem tax rolls of the District are those for the year 2014, being the most recently approved tax rolls of the District; the taxable property in the Sendero Springs and Cornerstone Defined Area of the District has been assessed as required by law; the Tax Assessor of the District has duly verified the tax rolls; and the assessed value of taxable property in the Sendero Springs and Cornerstone Defined Area of the District upon which the annual ad valorem tax of the District has been levied (after deducting the amount of all exemptions, if any, taken or required to be given under the Constitution and laws of the State of Texas), according to the tax rolls for the year is \$264,174,702.

17. No incorporated city or town, or portion thereof, is included within the area of the District. The District lies within the extraterritorial jurisdiction of the City of Round Rock, and the District was in existence prior to being included within the City's extraterritorial jurisdiction. The District is not subject to any consent or other agreement with any city governing the issuance of the Bonds.

18. A District Information Form and amendments thereto have been filed as required by Section 46.455, Texas Water Code. In addition, as of the date of this Certificate, all information required by law to be filed by the District with the Texas Commission on Environmental Quality (the "TCEQ") has been filed. Based upon our actual knowledge, the District is currently in compliance with all regulations of the TCEQ.

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

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

21. The District has not defaulted in the performance of any of the covenants or other conditions in the orders or resolutions authorizing any outstanding obligations.

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

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

24. No motion to overturn the actions of the TCEQ's executive director approving the issuance of the Bonds has been filed pursuant to TCEQ Rule 50.139 within 23 days of the date that such approval was mailed to the District. Additionally, the District has not been notified that the TCEQ or its general counsel has extended the period of time to file such a motion to overturn.

25. The boundaries of the Sendero Springs and Cornerstone Defined Area have not changed since the issuance of the Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2013. The true and correct boundaries of the Sendero Springs and Cornerstone Defined Area are attached hereto as Exhibit "E".

26. Lawfully available funds are hereby appropriated and confirmed to be available to pay interest due on the Bond(s) coming due on December 1, 2015.

CLOSING MATTERS

27. To our best knowledge and belief:

(a) the descriptions and statements of or pertaining to the District contained in its Preliminary Official Notice of Sale, Bid Form and the Official Statement dated March 26, 2015 and any addenda, supplement or amendment thereto, for the Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015, on the date of such Official Statement, on the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects;

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

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

(d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statement of the District appearing in the Official Statement dated September 30, 2014.

SIGNED this the 21st day of May, 2015.

[Signature]
Secretary, Board of Directors

[Signature]
President, Board of Directors

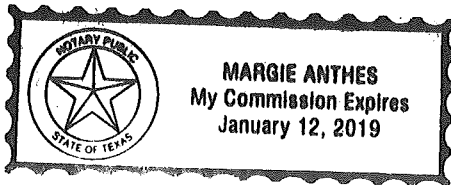
NOTARY ACKNOWLEDGMENT

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

Given under my hand and seal of office this 23rd day of April 2015.

[Signature]
Notary Public

(Notary Seal)



SigPg

EXHIBIT A

Bonds

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds Series 2015 dated May 1, 2015 in the aggregate principal amount of \$3,530,000 (the "Series 2013 Bonds").

District

Brushy Creek Municipal Utility District.

Initial Purchaser

The winning bidder for the Series 2015 Bonds as shown on the bid form attached to this General and No-Litigation Certificate as Exhibit "B".

Order

The order adopted by the Board of Directors of the District on April 23, 2015 authorizing the issuance of the Bonds.

EXHIBIT B
WINNING BID FORM

OFFICIAL BID FORM

April 23, 2015

President and Board of Directors
 Brushy Creek Municipal Utility District
 c/o Robert W. Baird & Co.
 Attn: Jan Bartholomew
 700 Milam Street, Suite 1300
 Houston, Texas 77002

Board Members:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Brushy Creek Municipal Utility District (the "District") relating to its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the risk factors set forth in the Preliminary Official Statement dated March 26, 2015. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$ 3,436,403.00 (which represents 97.348526 of par value), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

Maturity (June 1)	Principal Amount	Interest Rate	Maturity (June 1)	Principal Amount	Interest Rate
2016	\$80,000	<u>2.000</u> %	2028(a)(b)	\$145,000	<u>3.250</u> %
2017	95,000	<u>2.000</u> %	2029(a)(b)	150,000	<u>3.250</u> %
2018	100,000	<u>2.000</u> %	2030(a)(b)	155,000	<u>3.250</u> %
2019	100,000	<u>2.000</u> %	2031(a)(b)	160,000	<u>3.250</u> %
2020	105,000	<u>2.000</u> %	2032(a)(b)	170,000	<u>3.500</u> %
2021	110,000	<u>3.000</u> %	2033(a)(b)	175,000	<u>3.500</u> %
2022	115,000	<u>3.000</u> %	2034(a)(b)	185,000	<u>3.500</u> %
2023	120,000	<u>3.000</u> %	2035(a)(b)	190,000	<u>3.500</u> %
2024(a)(b)	125,000	<u>3.000</u> %	2036(a)(b)	200,000	<u>3.625</u> %
2025(a)(b)	130,000	<u>3.000</u> %	2037(a)(b)	205,000	<u>3.625</u> %
2026(a)(b)	135,000	<u>3.000</u> %	2038(a)(b)	215,000	<u>3.750</u> %
2027(a)(b)	140,000	<u>3.000</u> %	2039(a)(b)	225,000	<u>3.750</u> %

- (a) At the option of the Initial Purchaser, any or all of such serial maturities maturing on and after June 1, 2024 may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year.
- (b) Subject to optional redemption, at the option of the District, in whole or, from time to time, in part, on June 1, 2023, or on any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

We hereby designate the following as term bonds ("Term Bonds") with mandatory sinking redemptions.

Term Bond Maturity Date (June 1)	Year of First Mandatory Redemption	Principal Amount of Term Bonds	Interest Rate
<u>2025</u>	<u>2024</u>	<u>\$ 255,000</u>	<u>3.000</u> %
<u>2027</u>	<u>2026</u>	<u>275,000</u>	<u>3.000</u> %
<u>2029</u>	<u>2028</u>	<u>295,000</u>	<u>3.250</u> %
<u>2031</u>	<u>2030</u>	<u>315,000</u>	<u>3.250</u> %
<u>2033</u>	<u>2032</u>	<u>345,000</u>	<u>3.500</u>
<u>2035</u>	<u>2034</u>	<u>375,000</u>	<u>3.500</u>
<u>2037</u>	<u>2036</u>	<u>405,000</u>	<u>3.625</u>
<u>2039</u>	<u>2038</u>	<u>440,000</u>	<u>3.75</u>

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

Total Interest Cost from May 1, 2015.....	\$ 1,739,063.02
Plus: Dollar Amount of Discount (or Less: Dollar Amount of Premium).....	\$ 93,597.00
NET INTEREST COST.....	\$ 1,832,660.02
NET EFFECTIVE INTEREST RATE.....	3.587530 %

The initial Bonds shall be registered in the name of Cede & Co.. We will advise the corporate trust office of Wells Fargo Bank, National Association, Dallas, Texas, the Registrar, on forms to be provided by the Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery.

We will require ___ copies of the final Official Statement for dissemination to potential purchasers of the Bonds (not to exceed 250 copies). By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Initial Purchaser described therein, as contemplated by Rule 15c2-12 of the United States Securities and Exchange Commission.

Cashier's Check ("Official Checks" are not acceptable) No. _____, issued by _____ Bank, _____, Texas, and payable to your order in the amount of \$70,600 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions stated in the Official Notice of Sale, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Initial Purchaser uncashed on the date of delivery of the Bonds.

We agree to accept delivery of and make payment for the Initial Bonds in immediately available funds at the corporate trust office of Wells Fargo Bank, National Association, Dallas, Texas, not later than 2:00 P.M., Austin, Texas time, on May 21, 2015, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

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

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

City Securities Corp
Indianapolis, IN

By:  Kenneth Schmidt
Authorized Representative

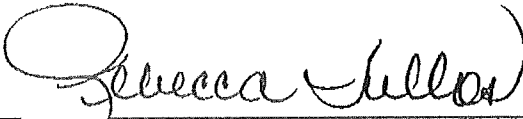
ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Brushy Creek Municipal Utility District, Texas this 23rd day of April, 2015.

ATTEST:



Secretary, Board of Directors



President, Board of Directors

Return of \$70,600 Good Faith Deposit is hereby acknowledged:

Firm: _____
By: _____
Date: _____

(For your information you will find attached a list of the group of Initial Purchasers associated with us in this proposal.)

Upcoming Calendar Overview Result Excel

City Securities Corp. - Indianapolis , IN's Bid
Brushy Creek MUD
\$3,530,000 Sendero Springs and Cornerstone Defined Area
Unlimited Tax Bonds, Series 2015



For the aggregate principal amount of \$3,530,000.00, we will pay you \$3,436,403.00, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Bond Insurance
06/01/2016	80M	2.0000	AGM
06/01/2017	95M	2.0000	AGM
06/01/2018	100M	2.0000	AGM
06/01/2019	100M	2.0000	AGM
06/01/2020	105M	2.0000	AGM
06/01/2021	110M	3.0000	AGM
06/01/2022	115M	3.0000	AGM
06/01/2023	120M	3.0000	AGM
06/01/2024			
06/01/2025	255M	3.0000	AGM
06/01/2026			
06/01/2027	275M	3.0000	AGM
06/01/2028			
06/01/2029	295M	3.2500	AGM
06/01/2030			
06/01/2031	315M	3.2500	AGM
06/01/2032			
06/01/2033	345M	3.5000	AGM
06/01/2034			
06/01/2035	375M	3.5000	AGM
06/01/2036			
06/01/2037	405M	3.6250	AGM
06/01/2038			
06/01/2039	440M	3.7500	AGM

Total Interest Cost: \$1,739,063.02
 Discount: \$93,597.00
 Net Interest Cost: \$1,832,660.02
 NIC: 3.587530
 Total Insurance Premium: \$16,000.00
 Time Last Bid Received On: 04/23/2015 1:46:40 CDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

EXHIBIT C

BOARD OF DIRECTORS

September 19, 2013 – February 18, 2015

Rebecca B. Tullos, President
Russ Shermer, Vice President
Jeff Goldstein, Secretary
Shean Dalton, Treasurer
Donna B. Parker, Director

February 19, 2015 – Present

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

EXHIBIT D

OUTSTANDING TAX DEBT AND PROPOSED BONDS

Sendero Springs Cornerstone Defined Area:	Amount Outstanding
Unlimited Tax Bonds, Series 2008	\$ 1,695,000
Unlimited Tax Bonds, Series 2009	2,165,000
Unlimited Tax Bonds, Series 2011	2,235,000
Unlimited Tax Bonds, Series 2013	3,420,000
Unlimited Tax Bonds, Series 2015 (Bonds in Process of Issuance)	<u>3,530,000</u>
Total Defined Area Debt:	\$13,045,000

EXHIBIT E
METES AND BOUNDS

FIELD NOTES FOR 193.898 ACRES

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

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

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

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

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

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

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

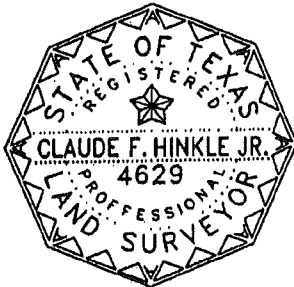
THENCE along the Southeast right-of-way line of R.R. 620, for the Northwest line hereof, the following five (5) courses)

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

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

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

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



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

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

Date 25 September 01

FIELD NOTES FOR 222.785 ACRES

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

PARCEL "A" (27.239 ACRES)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PARCEL "B" (1.572 ACRES)

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

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

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

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

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

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

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

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

PARCEL "C" (193.974 ACRES)

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

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

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

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

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

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

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

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

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

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

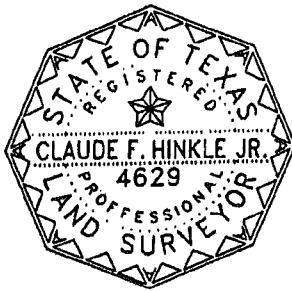
THENCE along the South right-of-way line of F.M. 1431, for the North line hereof, the following two (2) courses:

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

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

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

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



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

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

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

Date

FEDERAL TAX CERTIFICATE

1. In General.

1.1. The undersigned is the General Manager of the Brushy Creek Municipal Utility District (the "Issuer").

1.2. This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to an Order of the Issuer, duly adopted by the Issuer (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 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 the Purchaser 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 Bonds are being issued pursuant to the Order (a) to provide for the payment of costs of issuing the Bonds, and (b) to finance water, wastewater and drainage facilities serving Sendero Springs 7 and Enclave at Highland Horizon utilities and water, wastewater and drainage facilities serving Highland Horizon Phase III (the "Projects").

2.2. The Issuer expects that the aggregate useful lives of the Projects exceed 33 years from the later of the date the Projects are placed in service or the date on which the Bonds are issued.

2.3. All earnings, such as interest and dividends, received from the investment of the proceeds of the Bonds during the period of acquisition and construction of the Projects and not used to pay interest on the Bonds, will be used to pay the costs of the Projects, unless required to be rebated and paid to the United States in accordance with section 148(f) of the Internal Revenue Code of 1986 (the "Code"). The proceeds of the Bonds, together with any investment earnings thereon, are expected not to exceed the amount necessary for the governmental purpose of the Bonds. The Issuer expects that no disposition proceeds will arise in connection with the Projects or the Bonds.

3. Expenditure of Bond Proceeds and Use of Projects.

3.1. The Issuer will incur, within six months after the date of issue of the Bonds, a binding obligation to commence the Projects, either by entering into contracts for the construction of the Projects or by entering into contracts for architectural or engineering services for such Projects, or contracts for the development, purchase of construction materials, or purchase of equipment, for the Projects, with the amount to be paid under such contracts to be in excess of five percent of the proceeds which are estimated to be used for the cost of the Projects.

3.2. After entering into binding obligations, work on such Projects will proceed promptly with due diligence to completion.

3.3. All original proceeds derived from the sale of the Bonds to be applied to the Projects and all investment earnings thereon (other than any amounts required to be rebated to the United States pursuant to section 148(f) of the Code) will be expended for the Projects no later than a date which is three years after the date of issue of the Bonds.

3.4. The Order provides that allocations of proceeds to expenditures for the Projects are expected not to be later than 18 months after the later of the date of the expenditure or the date that the Projects are placed in service, but, in any event, not longer than 60 days after the earlier of five years of the date hereof or the date the Bonds are retired.

3.5. Only Project costs paid or incurred by the Issuer on or after 60 days prior to the date the Issuer approved the funding of the Project (the "60-day period") through its declaration of official intent ("Qualified Costs") will be paid or reimbursed with Bond proceeds. For this purpose Qualified Costs also include preliminary expenditures, incurred prior to the 60-day period before the approval of the Issuer through its declaration of official intent, up to an amount not in excess of 20 percent of the aggregate amount of the Bonds. No Qualified Cost represents the cost of property or land acquired from a related party.

3.6. The Issuer will not invest the proceeds prior to such expenditure in any guaranteed investment contract or other non-purpose investment with a substantially guaranteed yield for a period equal to or greater than four years.

3.7. Other than members of the general public, the Issuer expects that throughout the lesser of the term of the Bonds, or the useful lives of the Projects, the only user of the Projects will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Projects. The Issuer does not expect to enter into long-term sales of output from the Projects and sales of output will be made on the basis of generally-applicable and uniformly applied rates. The Issuer may apply different rates for different classes of customers, including volume purchasers, which are reasonable and customary.

3.8. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the 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 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.

3.9. For purposes of Subsection 3.8 hereof, the Issuer has not included the portion of the 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.

4. Debt Service Fund.

4.1. The Order creates a Series 2015 Sendero Springs and Cornerstone Defined Area Debt Service Fund (the "Debt Service Fund"). Other than as described herein, money deposited in the Debt Service Fund will be used to pay the principal of and interest on the Bonds (the "Bona Fide Debt Service Portion"). The

Bona Fide Debt Service Portion constitutes a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Such portion will be completely depleted at least once each year except for an amount not in excess of the greater of (a) one-twelfth of the debt service on the Bonds for the previous year, or (b) the previous year's earnings on such portion of the Debt Service Fund. Amounts deposited in the Debt Service Fund constituting the Bona Fide Debt Service Portion will be spent within a thirteen-month period beginning on the date of deposit, and any amount received from the investment of money held in the Debt Service Fund will be spent within a one-year period beginning on the date of receipt.

4.2. A portion of the funds on deposit in the Debt Service Fund, not otherwise used to pay debt service on the Bonds within thirteen months, will be held in trust for the benefit of the holders of the Bonds (the "Reserve Portion"). If on any interest payment or maturity date, sufficient amounts are not available to make debt service payments on the Bonds, the Issuer is required to use such money constituting the Reserve Portion in an amount sufficient to make such payments. The present value of the investments deposited to the Reserve Portion of the Debt Service Fund and allocable to the Bonds that will be invested at a yield higher than the yield on the Bonds will not, as of any date, exceed an aggregate amount which equals the lesser of (a) 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 advice to the Issuer by its Financial Advisor, the amount on deposit in the Reserve Portion of the Debt Service Fund should be maintained as a balance allocable to the Bonds in the Debt Service Fund consistent with accepted standards of prudent fiscal management for similar governmental bodies and in order to provide a reserve against periodic fluctuations in the amount and timing of payment of ad valorem taxes to the Issuer.

4.4. Any money deposited in the Debt Service Fund and any amounts received from the investment thereof that accumulate and remain on hand therein after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof shall constitute a third and separate portion of the Debt Service Fund. The yield on any investments allocable to the portion of the Debt Service Fund exceeding of the sum of (a) the Bona Fide Debt Service Portion, (b) the Reserve Portion and (c) an amount equal to the lesser of five percent of the sale and investment proceeds of the Bonds or \$100,000 will be restricted to a yield that does not exceed the yield on the Bonds.

5. Yield.

5.1. The issue price of the Bonds included in the Form 8038-G, is based on the Issue Price Certificate attached hereto.

5.2. The premium paid for bond insurance is solely for the transfer of credit risk for the payment of debt service on the Bonds. Based on the market conditions and other facts existing on the date of sale of the Bonds, the present value of the premium paid for bond insurance for each obligation constituting the Bonds to which such premium is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. The premium has been paid to a person which is not a user or related to the user of any proceeds of the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate.

5.3. The Issuer has not entered into any qualified guarantee or qualified hedge with respect to the Bonds other as described in the Issue Price Certificate. 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.

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 Debt Service Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Bonds, or (b) which are reserved or pledged as collateral for payment of debt service on the Bonds and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Bonds, within the meaning of section 148 of the Code.

7. Other Obligations.

7.1. 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.

7.2. The Issuer (including any of its related entities) has not issued nor does it expect to issue any other tax-exempt obligations during the current calendar year, including certain lease purchase agreements, in an amount which when aggregated with Bonds would exceed \$10,000,000, within the meaning of section 265(b) of the Code.

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 BONDS 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.

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DATED as of May 21, 2015.

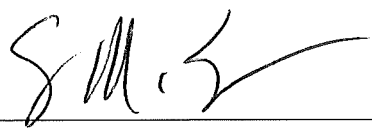
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

By: 

President, Board of Directors

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Subsection 4.3 of this Certificate and the Schedules attached hereto as Exhibit "E" are, as of May 21, 2015, accurate and complete. We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in this Federal Tax Certificate and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the Issuer that interest on the Bonds is excludable from gross income thereof for income tax purposes, and (ii) for purposes of completing the IRS Form 8038-G. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws or the application of any laws to these facts.

ROBERT W. BAIRD & CO. INCORPORATED

By:  _____

Name: Stephen M. Eustis

Title: Director

Exhibit "A"

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE

SUITE 1800

AUSTIN, TEXAS 78701-3248

TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD

SUITE 900

DALLAS, TEXAS 75201-6587

TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET

SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2884

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ARBITRAGE REBATE REGULATIONS©

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 bonds¹ 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. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations. 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

¹ In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

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 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>
01/1/1994	(\$49,000,000)	(\$69,119,339)
02/1/1994	3,000,000	4,207,602
04/1/1994	5,000,000	6,932,715
06/1/1994	14,000,000	19,190,277
09/1/1994	20,000,000	26,947,162
01/1/1995	(1,000)	(1,317)
07/1/1995	10,000,000	12,722,793
01/1/1996	(1,000)	<u>(1,229)</u>
Rebate amount (01/01/1999)		<u><u>\$878,664"</u></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 annual period ending on the first anniversary of the delivery date that the issue is outstanding. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period. The regulations, however, permit an issuer of a variable-yield issue to elect to compute the yield for annual periods ending on any date in order to permit a matching of such yield to the expenditure of the proceeds. Any such election must be made in writing, is irrevocable, and must be made no later than the earlier of (1) the fifth anniversary date, or (2) the final maturity date.

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. Such yield on fixed-yield issues generally is recomputed only if (1) the issue is sold at a substantial premium, 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. In such cases, the regulations require the issuer to recompute the yield on such issues by taking into account the early retirement value of the bonds. 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, can not 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 can not 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 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, working capital financings are subject to many of the same rules that have existed since the mid-1970s. For example, the regulations generally continue the 13-month temporary period. 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) for the computation period (which generally corresponds to the issuer's fiscal year). Also, the regulations continue to 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. Another change made by the regulations is that the issuer may not finance the operating reserve with proceeds of a tax-exempt obligation.

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 bonds² 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

² 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.

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) can not be taken into account as expended. As such, bonds with excess gross proceeds generally can not 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. 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., 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.

FOR BONDS ISSUED AFTER THE EFFECTIVE DATE OF THE TAX REFORM ACT OF 1986 WHICH WERE OUTSTANDING AS OF NOVEMBER 11, 1988, OTHER THAN PRIVATE ACTIVITY BONDS, SHORT TERM BONDS OR VARIABLE RATE BONDS, A ONE-TIME ELECTION MAY BE MADE TO EXCLUDE EARNINGS ON "BONA FIDE DEBT SERVICE FUNDS" WITHOUT REGARD TO THE \$100,000, LIMITATION. THE ELECTION MUST BE MADE IN WRITING (AND MAINTAINED AS PART OF THE ISSUER'S BOOKS AND RECORDS) NO LATER THAN THE LATER OF MARCH 21, 1990, OR THE FIRST DATE A REBATE PAYMENT IS REQUIRED.

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"

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2984

May 21, 2013

**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. 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, 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 primary focus of these rules is on compensation. In general, compensation must be reasonable and not be based, in whole or in part, on a share of net profits. Compensation arrangements may take one of four forms: (1) periodic fixed fee; (2) capitation fee; (3) per-unit fee; or (4) percentage of fees charged. In general, a periodic fixed fee arrangement, however, is required in which at least 50 percent of annual compensation be based on a predetermined fee. During the initial two year start-up period, compensation may be based on a percentage of fees charged (i.e., gross revenues, adjusted gross revenues or expenses).

The term of a management contract, generally, may not exceed five years, including all renewal options, and must be cancelable by the governmental unit at the end of the third year. If per-unit fee compensation is used, the term is limited to three years, with a cancellation option for the governmental unit at the end of two years. Where compensation is based on a percentage of gross revenues, the contract may not extend beyond a term of two years, cancelable by the governmental unit at the end of the first year. In each instance, cancellation may be upon reasonable notice, but must be "without penalty or cause," meaning no covenant not to compete, buy-out provision or liquidated damages provision is allowed.

Finally, the manager may not have any role or relationship with the governmental unit that would limit the ability of the governmental unit to exercise its rights under the contract. Any voting power of either party which is vested in the other party, including its officers, directors, shareholders and employees, may not exceed 20 percent. Further, the chief executive officer of either party may not serve on the governing board of the other party. Similarly, the two parties must not be members of the same controlled group or be related persons, as defined in certain provisions of federal tax law.

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.

The Internal Revenue Service ("IRS") has initiated an active audit program intended to investigate the compliance of governmental issuers with the private activity bond rules described herein and the arbitrage rules described in the other memorandum provided to you by our firm. In connection with the expansion of this program, auditors and their supervisors have expressed the viewpoint that each governmental issuer should establish written procedures to assure continuing compliance. Moreover, the IRS is asking issuers to state in a bond issue's informational return (such as 8038-G) whether such 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.

Disclosure Under IRS Circular 230: McCall Parkhurst & Horton LLP informs you that any tax advice contained in this memorandum, including any attachments, was not intended or written to be used, and cannot 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.

Exhibit "C"

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2984

April 23, 2015

Mr. Mike Petter
General Manager
Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Re: Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Dear Mr. Petter:

As you know, the Brushy Creek Municipal Utility District (the "Issuer") will issue the captioned bonds in order to provide for the acquisition and construction of the project. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the project or to be deposited to the debt service fund for the captioned bonds. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of bond proceeds and that investment of these amounts be at a yield which is not higher than the yield on the captioned bonds. For this purpose, please refer to line 21(e) of the Form 8038-G included in the transcript of proceedings for 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.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the project or to be deposited to the debt service fund must be invested in obligations the combined yield on which does not exceed the yield on the bonds. 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. 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 sale and investment proceeds to be used for the new money project may be invested for up to three years without regard to yield. (Such amounts, however, may be subject to rebate.) Thereafter, they must be invested at or below the bond yield. Importantly, expenditure of these proceeds must be accounted in your books and records. Allocations of these expenditures must occur within 18 months of the later of the date paid or the date the project is completed. The foregoing notwithstanding, the allocation should not occur later than

60 days after the earlier of (1) of five years after the delivery date of the bonds or (2) the date the bonds are retired unless you obtain an opinion of bond counsel.

Second, the debt service fund is made up of taxes which are levied annually for the payment of current debt service on all the District's outstanding bonds. Any taxes deposited to the debt service fund which are to be used for the payment of current debt service on the captioned bonds, or any other outstanding bonds, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of the taxes. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Third, the debt service fund contains an amount of taxes, which although not expended for debt service within the current year, are necessary to ensure that amounts will be sufficient to pay debt service in the event that taxes are insufficient during that period. This amount, commonly referred to as "coverage," represents a reserve account against periodic fluctuations in the receipt of tax revenues. The Internal Revenue Code permits amounts which are held in reserve for the payment of debt service, in such instances, to be invested without regard to yield restriction if such amounts do not exceed the lesser of (1) 10 percent of the outstanding principal amount of all outstanding bonds, (2) maximum annual debt service on all outstanding bonds, or (3) 125 percent of average annual debt service on all outstanding bonds.

Fourth, a portion of the debt service fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes deposited to the debt service fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the bonds or \$100,000.

Accordingly, you should review the current balance in the debt service fund in order to determine if such balance exceeds the aggregate amount of these three accounts. Additionally, in the future it is important that you be aware of these accounts as additional amounts are deposited to the debt service fund. The amounts which are subject to yield restriction would only be the amounts which are in excess of the sum of (1) the current debt service account, (2) the reserve account, and (3) the "minor portion" account. Moreover, to the extent that additional bonds are issued by the District, whether for new money projects or for refunding, these amounts will change in their proportion.

The Order contains covenants that require the District 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 District should retain such materials, records and information for the period beginning on the issue date of the captioned bonds 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 District 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 District should keep schedules evidencing the expenditure of bond proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of bond proceeds. In the event that you have questions relating to record retention, please contact us.

The Service also wants some assurance that any failure to comply with the federal tax laws was not due

to an issuer's intentional disregard or gross neglect of the responsibilities imposed on it by the federal tax laws. Therefore, to ensure post-issuance compliance, an issuer should consider adopting formalized written guidelines to help the issuer perform diligence reviews at regular intervals. The goal is for issuers to be able to timely identify and resolve violations of the laws necessary to maintain their obligations' tax-favored status. While the federal tax certificate, together with its attachments, may generally provide a basic written guideline when incorporated in an organizations' operations, the extent to which an organization has appropriate written compliance procedures in place is to be determined on a case-by-case basis. Moreover, the Service has indicated that written procedures should identify the personnel that adopted the procedures, the personnel that is responsible for monitoring compliance, the frequency of compliance check activities, the nature of the compliance check activities undertaken, and the date such procedures were originally adopted and subsequently updated, if applicable. The Service has stated that the adoption of such procedures will be a favorable factor that the Service will consider when determining the amount of any penalty to be imposed on an issuer in the event of an unanticipated and non-curable failure to comply with the tax laws.

Finally, you should notice that the Order contains a covenant that limits the ability of the District to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding bonds), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the bonds. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of, among other tax rules, the yield restriction rules as applied to amounts deposited to the debt service fund. This letter does not address the rebate consequences with respect to the debt service fund and you should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P.

cc: Ms. Carol D. Polumbo

Exhibit "D"

ISSUE PRICE CERTIFICATE

[To be attached hereto]

ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers ("Initial Purchasers") which has purchased the Bonds from Brushy Creek Municipal Utility District (the "District"), at competitive sale.

2. All of the Bonds have been offered to members of the public in bona fide initial offering. For purposes of this Bond, the term "public" Does not include any bondhouses, broker dealers, and similar person or organizations acting in the capacity of underwriters or wholesalers (including the Purchaser or members of the selling group or persons that are related to, or controlled by, or acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Bonds was offered to the public at a price which, on the date of such ordering, was reasonably expected by the Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below.

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	.80 %	2028	\$145,000	- %
2017	95,000	1.10 %	2029	150,000	3.25 %
2018	100,000	1.40 %	2030	155,000	- %
2019	100,000	1.85 %	2031	160,000	3.45 %
2020	105,000	1.85 %	2032	170,000	- %
2021	110,000	2.05 %	2033	175,000	3.60 %
2022	115,000	2.25 %	2034	185,000	- %
2023	120,000	2.40 %	2035	190,000	3.70 %
2024	125,000	- %	2036	200,000	- %
2025	130,000	2.75 %	2037	205,000	3.80 %
2026	135,000	- %	2038	215,000	- %
2027	140,000	3.00 %	2039	225,000	3.85 %

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

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	___ %	2028	\$145,000	___ %
2017	95,000	___ %	2029	150,000	___ %
2018	100,000	___ %	2030	155,000	___ %
2019	100,000	___ %	2031	160,000	___ %
2020	105,000	___ %	2032	170,000	___ %
2021	110,000	___ %	2033	175,000	___ %
2022	115,000	___ %	2034	185,000	___ %
2023	120,000	___ %	2035	190,000	___ %
2024	125,000	___ %	2036	200,000	___ %
2025	130,000	___ %	2037	205,000	___ %
2026	135,000	___ %	2038	215,000	___ %
2027	140,000	___ %	2039	225,000	___ %

6. The Initial Purchaser has/has not purchased bond insurance for the Bonds. The bond insurance, has been purchased from Assured Guaranty Municipal Corp. (the "Insurer") for a fee of \$ 16,000.00 (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

7. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain representations set forth in the Federal Tax Certificate prepared by the District in connection with the issuance of the Bonds and by McCall, Parkhurst & Horton L.L.P. (i) in connection with rendering its opinion to the District 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 law or the application of any laws to these facts.

EXECUTED AND DELIVERED this 14th day of May, 2015.

City Securities Corporation
(Name of Initial Purchaser or Manager)

By Kenneth Schmidt

Title AVP, Fixed Income Capital Market

Exhibit "E"

SCHEDULES OF FINANCIAL ADVISOR

[To be attached hereto]



SOURCES AND USES OF FUNDS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Sources:

Bond Proceeds:	
Par Amount	3,530,000.00
Accrued Interest	6,225.35
Original Issue Discount	-40,192.35
Premium	27,832.35
	<hr/>
	3,523,865.35

Uses:

Project Fund Deposits:	
Contingency	12,303.00
Developer Interest	202,679.00
Project Fund	<hr/>
	3,018,225.00
	3,233,207.00
Other Fund Deposits:	
Accrued Interest	6,225.35
Cost of Issuance:	
Attorney General Fee	3,530.00
Legal Fees	35,300.00
Financial Advisor	50,300.00
Bond Application Report Costs	38,000.00
TCEQ Bond Issuance Fee	8,825.00
Bond Issuance Expenses	<hr/>
	67,241.00
	203,196.00
Underwriter's Discount:	
Insurance	16,000.00
Other Underwriter's Discount	<hr/>
	65,237.00
	81,237.00
	<hr/>
	3,523,865.35



BOND SUMMARY STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date	05/01/2015
Delivery Date	05/21/2015
Last Maturity	06/01/2039
Arbitrage Yield	3.450485%
True Interest Cost (TIC)	3.580718%
Net Interest Cost (NIC)	3.587530%
All-In TIC	4.194555%
Average Coupon	3.404309%
Average Life (years)	14.416
Duration of Issue (years)	11.015
Par Amount	3,530,000.00
Bond Proceeds	3,523,865.35
Total Interest	1,739,063.02
Net Interest	1,832,660.02
Total Debt Service	5,269,063.02
Maximum Annual Debt Service	233,437.50
Average Annual Debt Service	219,031.39
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	23.013314
Total Underwriter's Discount	23.013314
Bid Price	97.348527

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	825,000.00	102.821	2.615%	4.779
Term Bond 2025	255,000.00	101.789	3.000%	9.538
Term Bond 2027	275,000.00	100.000	3.000%	11.537
Term Bond 2029	295,000.00	100.000	3.250%	13.536
Term Bond 2031	315,000.00	97.552	3.250%	15.536
Term Bond 2033	345,000.00	98.681	3.500%	17.535
Term Bond 2035	375,000.00	97.187	3.500%	19.534
Term Bond 2037	405,000.00	97.403	3.625%	21.534
Term Bond 2039	440,000.00	98.440	3.750%	23.539
	3,530,000.00			14.416

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,530,000.00	3,530,000.00	3,530,000.00
+ Accrued Interest	6,225.35	6,225.35	6,225.35
+ Premium (Discount)	-12,360.00	-12,360.00	-12,360.00
- Underwriter's Discount	-81,237.00	-81,237.00	
- Cost of Issuance Expense		-203,196.00	
- Other Amounts	16,000.00		-16,000.00
Target Value	3,458,628.35	3,239,432.35	3,507,865.35
Target Date	05/21/2015	05/21/2015	05/21/2015
Yield	3.580718%	4.194555%	3.450485%



BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			65,366.15	65,366.15	
06/01/2016	80,000	2.000%	56,028.13	136,028.13	201,394.27
12/01/2016			55,228.13	55,228.13	
06/01/2017	95,000	2.000%	55,228.13	150,228.13	205,456.25
12/01/2017			54,278.13	54,278.13	
06/01/2018	100,000	2.000%	54,278.13	154,278.13	208,556.25
12/01/2018			53,278.13	53,278.13	
06/01/2019	100,000	2.000%	53,278.13	153,278.13	206,556.25
12/01/2019			52,278.13	52,278.13	
06/01/2020	105,000	2.000%	52,278.13	157,278.13	209,556.25
12/01/2020			51,228.13	51,228.13	
06/01/2021	110,000	3.000%	51,228.13	161,228.13	212,456.25
12/01/2021			49,578.13	49,578.13	
06/01/2022	115,000	3.000%	49,578.13	164,578.13	214,156.25
12/01/2022			47,853.13	47,853.13	
06/01/2023	120,000	3.000%	47,853.13	167,853.13	215,706.25
12/01/2023			46,053.13	46,053.13	
06/01/2024	125,000	3.000%	46,053.13	171,053.13	217,106.25
12/01/2024			44,178.13	44,178.13	
06/01/2025	130,000	3.000%	44,178.13	174,178.13	218,356.25
12/01/2025			42,228.13	42,228.13	
06/01/2026	135,000	3.000%	42,228.13	177,228.13	219,456.25
12/01/2026			40,203.13	40,203.13	
06/01/2027	140,000	3.000%	40,203.13	180,203.13	220,406.25
12/01/2027			38,103.13	38,103.13	
06/01/2028	145,000	3.250%	38,103.13	183,103.13	221,206.25
12/01/2028			35,746.88	35,746.88	
06/01/2029	150,000	3.250%	35,746.88	185,746.88	221,493.75
12/01/2029			33,309.38	33,309.38	
06/01/2030	155,000	3.250%	33,309.38	188,309.38	221,618.75
12/01/2030			30,790.63	30,790.63	
06/01/2031	160,000	3.250%	30,790.63	190,790.63	221,581.25
12/01/2031			28,190.63	28,190.63	
06/01/2032	170,000	3.500%	28,190.63	198,190.63	226,381.25
12/01/2032			25,215.63	25,215.63	
06/01/2033	175,000	3.500%	25,215.63	200,215.63	225,431.25
12/01/2033			22,153.13	22,153.13	
06/01/2034	185,000	3.500%	22,153.13	207,153.13	229,306.25
12/01/2034			18,915.63	18,915.63	
06/01/2035	190,000	3.500%	18,915.63	208,915.63	227,831.25
12/01/2035			15,590.63	15,590.63	
06/01/2036	200,000	3.625%	15,590.63	215,590.63	231,181.25
12/01/2036			11,965.63	11,965.63	
06/01/2037	205,000	3.625%	11,965.63	216,965.63	228,931.25
12/01/2037			8,250.00	8,250.00	
06/01/2038	215,000	3.750%	8,250.00	223,250.00	231,500.00
12/01/2038			4,218.75	4,218.75	
06/01/2039	225,000	3.750%	4,218.75	229,218.75	233,437.50
	3,530,000		1,739,063.02	5,269,063.02	5,269,063.02



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Serial Bond (SERIAL)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			11,637.50	11,637.50	
06/01/2016	80,000	2.000%	9,975.00	89,975.00	101,612.50
12/01/2016			9,175.00	9,175.00	
06/01/2017	95,000	2.000%	9,175.00	104,175.00	113,350.00
12/01/2017			8,225.00	8,225.00	
06/01/2018	100,000	2.000%	8,225.00	108,225.00	116,450.00
12/01/2018			7,225.00	7,225.00	
06/01/2019	100,000	2.000%	7,225.00	107,225.00	114,450.00
12/01/2019			6,225.00	6,225.00	
06/01/2020	105,000	2.000%	6,225.00	111,225.00	117,450.00
12/01/2020			5,175.00	5,175.00	
06/01/2021	110,000	3.000%	5,175.00	115,175.00	120,350.00
12/01/2021			3,525.00	3,525.00	
06/01/2022	115,000	3.000%	3,525.00	118,525.00	122,050.00
12/01/2022			1,800.00	1,800.00	
06/01/2023	120,000	3.000%	1,800.00	121,800.00	123,600.00
	825,000		104,312.50	929,312.50	929,312.50



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2025 (TERM25)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			4,462.50	4,462.50	
06/01/2016			3,825.00	3,825.00	8,287.50
12/01/2016			3,825.00	3,825.00	
06/01/2017			3,825.00	3,825.00	7,650.00
12/01/2017			3,825.00	3,825.00	
06/01/2018			3,825.00	3,825.00	7,650.00
12/01/2018			3,825.00	3,825.00	
06/01/2019			3,825.00	3,825.00	7,650.00
12/01/2019			3,825.00	3,825.00	
06/01/2020			3,825.00	3,825.00	7,650.00
12/01/2020			3,825.00	3,825.00	
06/01/2021			3,825.00	3,825.00	7,650.00
12/01/2021			3,825.00	3,825.00	
06/01/2022			3,825.00	3,825.00	7,650.00
12/01/2022			3,825.00	3,825.00	
06/01/2023			3,825.00	3,825.00	7,650.00
12/01/2023			3,825.00	3,825.00	
06/01/2024	125,000	3.000%	3,825.00	128,825.00	132,650.00
12/01/2024			1,950.00	1,950.00	
06/01/2025	130,000	3.000%	1,950.00	131,950.00	133,900.00
	255,000		73,387.50	328,387.50	328,387.50



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2027 (TERM27)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			4,812.50	4,812.50	
06/01/2016			4,125.00	4,125.00	8,937.50
12/01/2016			4,125.00	4,125.00	
06/01/2017			4,125.00	4,125.00	8,250.00
12/01/2017			4,125.00	4,125.00	
06/01/2018			4,125.00	4,125.00	8,250.00
12/01/2018			4,125.00	4,125.00	
06/01/2019			4,125.00	4,125.00	8,250.00
12/01/2019			4,125.00	4,125.00	
06/01/2020			4,125.00	4,125.00	8,250.00
12/01/2020			4,125.00	4,125.00	
06/01/2021			4,125.00	4,125.00	8,250.00
12/01/2021			4,125.00	4,125.00	
06/01/2022			4,125.00	4,125.00	8,250.00
12/01/2022			4,125.00	4,125.00	
06/01/2023			4,125.00	4,125.00	8,250.00
12/01/2023			4,125.00	4,125.00	
06/01/2024			4,125.00	4,125.00	8,250.00
12/01/2024			4,125.00	4,125.00	
06/01/2025			4,125.00	4,125.00	8,250.00
12/01/2025			4,125.00	4,125.00	
06/01/2026	135,000	3.000%	4,125.00	139,125.00	143,250.00
12/01/2026			2,100.00	2,100.00	
06/01/2027	140,000	3.000%	2,100.00	142,100.00	144,200.00
	275,000		95,637.50	370,637.50	370,637.50



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2029 (TERM29)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			5,592.71	5,592.71	
06/01/2016			4,793.75	4,793.75	10,386.46
12/01/2016			4,793.75	4,793.75	
06/01/2017			4,793.75	4,793.75	9,587.50
12/01/2017			4,793.75	4,793.75	
06/01/2018			4,793.75	4,793.75	9,587.50
12/01/2018			4,793.75	4,793.75	
06/01/2019			4,793.75	4,793.75	9,587.50
12/01/2019			4,793.75	4,793.75	
06/01/2020			4,793.75	4,793.75	9,587.50
12/01/2020			4,793.75	4,793.75	
06/01/2021			4,793.75	4,793.75	9,587.50
12/01/2021			4,793.75	4,793.75	
06/01/2022			4,793.75	4,793.75	9,587.50
12/01/2022			4,793.75	4,793.75	
06/01/2023			4,793.75	4,793.75	9,587.50
12/01/2023			4,793.75	4,793.75	
06/01/2024			4,793.75	4,793.75	9,587.50
12/01/2024			4,793.75	4,793.75	
06/01/2025			4,793.75	4,793.75	9,587.50
12/01/2025			4,793.75	4,793.75	
06/01/2026			4,793.75	4,793.75	9,587.50
12/01/2026			4,793.75	4,793.75	
06/01/2027			4,793.75	4,793.75	9,587.50
12/01/2027			4,793.75	4,793.75	
06/01/2028	145,000	3.250%	4,793.75	149,793.75	154,587.50
12/01/2028			2,437.50	2,437.50	
06/01/2029	150,000	3.250%	2,437.50	152,437.50	154,875.00
	295,000		130,311.46	425,311.46	425,311.46



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2031 (TERM31)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			5,971.88	5,971.88	
06/01/2016			5,118.75	5,118.75	11,090.63
12/01/2016			5,118.75	5,118.75	
06/01/2017			5,118.75	5,118.75	10,237.50
12/01/2017			5,118.75	5,118.75	
06/01/2018			5,118.75	5,118.75	10,237.50
12/01/2018			5,118.75	5,118.75	
06/01/2019			5,118.75	5,118.75	10,237.50
12/01/2019			5,118.75	5,118.75	
06/01/2020			5,118.75	5,118.75	10,237.50
12/01/2020			5,118.75	5,118.75	
06/01/2021			5,118.75	5,118.75	10,237.50
12/01/2021			5,118.75	5,118.75	
06/01/2022			5,118.75	5,118.75	10,237.50
12/01/2022			5,118.75	5,118.75	
06/01/2023			5,118.75	5,118.75	10,237.50
12/01/2023			5,118.75	5,118.75	
06/01/2024			5,118.75	5,118.75	10,237.50
12/01/2024			5,118.75	5,118.75	
06/01/2025			5,118.75	5,118.75	10,237.50
12/01/2025			5,118.75	5,118.75	
06/01/2026			5,118.75	5,118.75	10,237.50
12/01/2026			5,118.75	5,118.75	
06/01/2027			5,118.75	5,118.75	10,237.50
12/01/2027			5,118.75	5,118.75	
06/01/2028			5,118.75	5,118.75	10,237.50
12/01/2028			5,118.75	5,118.75	
06/01/2029			5,118.75	5,118.75	10,237.50
12/01/2029			5,118.75	5,118.75	
06/01/2030	155,000	3.250%	5,118.75	160,118.75	165,237.50
12/01/2030			2,600.00	2,600.00	
06/01/2031	160,000	3.250%	2,600.00	162,600.00	165,200.00
	315,000		159,615.63	474,615.63	474,615.63



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2033 (TERM33)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			7,043.75	7,043.75	
06/01/2016			6,037.50	6,037.50	13,081.25
12/01/2016			6,037.50	6,037.50	
06/01/2017			6,037.50	6,037.50	12,075.00
12/01/2017			6,037.50	6,037.50	
06/01/2018			6,037.50	6,037.50	12,075.00
12/01/2018			6,037.50	6,037.50	
06/01/2019			6,037.50	6,037.50	12,075.00
12/01/2019			6,037.50	6,037.50	
06/01/2020			6,037.50	6,037.50	12,075.00
12/01/2020			6,037.50	6,037.50	
06/01/2021			6,037.50	6,037.50	12,075.00
12/01/2021			6,037.50	6,037.50	
06/01/2022			6,037.50	6,037.50	12,075.00
12/01/2022			6,037.50	6,037.50	
06/01/2023			6,037.50	6,037.50	12,075.00
12/01/2023			6,037.50	6,037.50	
06/01/2024			6,037.50	6,037.50	12,075.00
12/01/2024			6,037.50	6,037.50	
06/01/2025			6,037.50	6,037.50	12,075.00
12/01/2025			6,037.50	6,037.50	
06/01/2026			6,037.50	6,037.50	12,075.00
12/01/2026			6,037.50	6,037.50	
06/01/2027			6,037.50	6,037.50	12,075.00
12/01/2027			6,037.50	6,037.50	
06/01/2028			6,037.50	6,037.50	12,075.00
12/01/2028			6,037.50	6,037.50	
06/01/2029			6,037.50	6,037.50	12,075.00
12/01/2029			6,037.50	6,037.50	
06/01/2030			6,037.50	6,037.50	12,075.00
12/01/2030			6,037.50	6,037.50	
06/01/2031			6,037.50	6,037.50	12,075.00
12/01/2031			6,037.50	6,037.50	
06/01/2032	170,000	3.500%	6,037.50	176,037.50	182,075.00
12/01/2032			3,062.50	3,062.50	
06/01/2033	175,000	3.500%	3,062.50	178,062.50	181,125.00
	345,000		212,406.25	557,406.25	557,406.25



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2035 (TERM35)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			7,656.25	7,656.25	
06/01/2016			6,562.50	6,562.50	14,218.75
12/01/2016			6,562.50	6,562.50	
06/01/2017			6,562.50	6,562.50	13,125.00
12/01/2017			6,562.50	6,562.50	
06/01/2018			6,562.50	6,562.50	13,125.00
12/01/2018			6,562.50	6,562.50	
06/01/2019			6,562.50	6,562.50	13,125.00
12/01/2019			6,562.50	6,562.50	
06/01/2020			6,562.50	6,562.50	13,125.00
12/01/2020			6,562.50	6,562.50	
06/01/2021			6,562.50	6,562.50	13,125.00
12/01/2021			6,562.50	6,562.50	
06/01/2022			6,562.50	6,562.50	13,125.00
12/01/2022			6,562.50	6,562.50	
06/01/2023			6,562.50	6,562.50	13,125.00
12/01/2023			6,562.50	6,562.50	
06/01/2024			6,562.50	6,562.50	13,125.00
12/01/2024			6,562.50	6,562.50	
06/01/2025			6,562.50	6,562.50	13,125.00
12/01/2025			6,562.50	6,562.50	
06/01/2026			6,562.50	6,562.50	13,125.00
12/01/2026			6,562.50	6,562.50	
06/01/2027			6,562.50	6,562.50	13,125.00
12/01/2027			6,562.50	6,562.50	
06/01/2028			6,562.50	6,562.50	13,125.00
12/01/2028			6,562.50	6,562.50	
06/01/2029			6,562.50	6,562.50	13,125.00
12/01/2029			6,562.50	6,562.50	
06/01/2030			6,562.50	6,562.50	13,125.00
12/01/2030			6,562.50	6,562.50	
06/01/2031			6,562.50	6,562.50	13,125.00
12/01/2031			6,562.50	6,562.50	
06/01/2032			6,562.50	6,562.50	13,125.00
12/01/2032			6,562.50	6,562.50	
06/01/2033			6,562.50	6,562.50	13,125.00
12/01/2033			6,562.50	6,562.50	
06/01/2034	185,000	3.500%	6,562.50	191,562.50	198,125.00
12/01/2034			3,325.00	3,325.00	
06/01/2035	190,000	3.500%	3,325.00	193,325.00	196,650.00
	375,000		257,118.75	632,118.75	632,118.75



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2037 (TERM37)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			8,564.06	8,564.06	
06/01/2016			7,340.63	7,340.63	15,904.69
12/01/2016			7,340.63	7,340.63	
06/01/2017			7,340.63	7,340.63	14,681.25
12/01/2017			7,340.63	7,340.63	
06/01/2018			7,340.63	7,340.63	14,681.25
12/01/2018			7,340.63	7,340.63	
06/01/2019			7,340.63	7,340.63	14,681.25
12/01/2019			7,340.63	7,340.63	
06/01/2020			7,340.63	7,340.63	14,681.25
12/01/2020			7,340.63	7,340.63	
06/01/2021			7,340.63	7,340.63	14,681.25
12/01/2021			7,340.63	7,340.63	
06/01/2022			7,340.63	7,340.63	14,681.25
12/01/2022			7,340.63	7,340.63	
06/01/2023			7,340.63	7,340.63	14,681.25
12/01/2023			7,340.63	7,340.63	
06/01/2024			7,340.63	7,340.63	14,681.25
12/01/2024			7,340.63	7,340.63	
06/01/2025			7,340.63	7,340.63	14,681.25
12/01/2025			7,340.63	7,340.63	
06/01/2026			7,340.63	7,340.63	14,681.25
12/01/2026			7,340.63	7,340.63	
06/01/2027			7,340.63	7,340.63	14,681.25
12/01/2027			7,340.63	7,340.63	
06/01/2028			7,340.63	7,340.63	14,681.25
12/01/2028			7,340.63	7,340.63	
06/01/2029			7,340.63	7,340.63	14,681.25
12/01/2029			7,340.63	7,340.63	
06/01/2030			7,340.63	7,340.63	14,681.25
12/01/2030			7,340.63	7,340.63	
06/01/2031			7,340.63	7,340.63	14,681.25
12/01/2031			7,340.63	7,340.63	
06/01/2032			7,340.63	7,340.63	14,681.25
12/01/2032			7,340.63	7,340.63	
06/01/2033			7,340.63	7,340.63	14,681.25
12/01/2033			7,340.63	7,340.63	
06/01/2034			7,340.63	7,340.63	14,681.25
12/01/2034			7,340.63	7,340.63	
06/01/2035			7,340.63	7,340.63	14,681.25
12/01/2035			7,340.63	7,340.63	
06/01/2036	200,000	3.625%	7,340.63	207,340.63	214,681.25
12/01/2036			3,715.63	3,715.63	
06/01/2037	205,000	3.625%	3,715.63	208,715.63	212,431.25
	405,000		316,960.94	721,960.94	721,960.94



DETAILED BOND DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Term Bond 2039 (TERM39)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2015			9,625.00	9,625.00	
06/01/2016			8,250.00	8,250.00	17,875.00
12/01/2016			8,250.00	8,250.00	
06/01/2017			8,250.00	8,250.00	16,500.00
12/01/2017			8,250.00	8,250.00	
06/01/2018			8,250.00	8,250.00	16,500.00
12/01/2018			8,250.00	8,250.00	
06/01/2019			8,250.00	8,250.00	16,500.00
12/01/2019			8,250.00	8,250.00	
06/01/2020			8,250.00	8,250.00	16,500.00
12/01/2020			8,250.00	8,250.00	
06/01/2021			8,250.00	8,250.00	16,500.00
12/01/2021			8,250.00	8,250.00	
06/01/2022			8,250.00	8,250.00	16,500.00
12/01/2022			8,250.00	8,250.00	
06/01/2023			8,250.00	8,250.00	16,500.00
12/01/2023			8,250.00	8,250.00	
06/01/2024			8,250.00	8,250.00	16,500.00
12/01/2024			8,250.00	8,250.00	
06/01/2025			8,250.00	8,250.00	16,500.00
12/01/2025			8,250.00	8,250.00	
06/01/2026			8,250.00	8,250.00	16,500.00
12/01/2026			8,250.00	8,250.00	
06/01/2027			8,250.00	8,250.00	16,500.00
12/01/2027			8,250.00	8,250.00	
06/01/2028			8,250.00	8,250.00	16,500.00
12/01/2028			8,250.00	8,250.00	
06/01/2029			8,250.00	8,250.00	16,500.00
12/01/2029			8,250.00	8,250.00	
06/01/2030			8,250.00	8,250.00	16,500.00
12/01/2030			8,250.00	8,250.00	
06/01/2031			8,250.00	8,250.00	16,500.00
12/01/2031			8,250.00	8,250.00	
06/01/2032			8,250.00	8,250.00	16,500.00
12/01/2032			8,250.00	8,250.00	
06/01/2033			8,250.00	8,250.00	16,500.00
12/01/2033			8,250.00	8,250.00	
06/01/2034			8,250.00	8,250.00	16,500.00
12/01/2034			8,250.00	8,250.00	
06/01/2035			8,250.00	8,250.00	16,500.00
12/01/2035			8,250.00	8,250.00	
06/01/2036			8,250.00	8,250.00	16,500.00
12/01/2036			8,250.00	8,250.00	
06/01/2037			8,250.00	8,250.00	16,500.00
12/01/2037			8,250.00	8,250.00	
06/01/2038	215,000	3.750%	8,250.00	223,250.00	231,500.00
12/01/2038			4,218.75	4,218.75	
06/01/2039	225,000	3.750%	4,218.75	229,218.75	233,437.50
	440,000		389,312.50	829,312.50	829,312.50



BEFORE AND AFTER DEBT SERVICE

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Date	Prior Debt Service	Plus: New Principal	Plus: New Interest	Total Debt Service
06/01/2015	497,506			497,506.25
12/01/2015	221,863		65,366.15	287,228.65
06/01/2016	506,863	80,000.00	56,028.13	642,890.63
12/01/2016	216,247		55,228.13	271,475.00
06/01/2017	516,247	95,000.00	55,228.13	666,475.00
12/01/2017	210,356		54,278.13	264,634.38
06/01/2018	530,356	100,000.00	54,278.13	684,634.38
12/01/2018	203,756		53,278.13	257,034.38
06/01/2019	533,756	100,000.00	53,278.13	687,034.38
12/01/2019	196,900		52,278.13	249,178.13
06/01/2020	546,900	105,000.00	52,278.13	704,178.13
12/01/2020	189,575		51,228.13	240,803.13
06/01/2021	554,575	110,000.00	51,228.13	715,803.13
12/01/2021	181,819		49,578.13	231,396.88
06/01/2022	566,819	115,000.00	49,578.13	731,396.88
12/01/2022	173,488		47,853.13	221,340.63
06/01/2023	578,488	120,000.00	47,853.13	746,340.63
12/01/2023	164,200		46,053.13	210,253.13
06/01/2024	589,200	125,000.00	46,053.13	760,253.13
12/01/2024	154,088		44,178.13	198,265.63
06/01/2025	604,088	130,000.00	44,178.13	778,265.63
12/01/2025	143,347		42,228.13	185,575.00
06/01/2026	618,347	135,000.00	42,228.13	795,575.00
12/01/2026	131,552		40,203.13	171,755.00
06/01/2027	631,552	140,000.00	40,203.13	811,755.00
12/01/2027	119,097		38,103.13	157,200.00
06/01/2028	644,097	145,000.00	38,103.13	827,200.00
12/01/2028	105,798		35,746.88	141,544.38
06/01/2029	655,798	150,000.00	35,746.88	841,544.38
12/01/2029	91,543		33,309.38	124,851.88
06/01/2030	676,543	155,000.00	33,309.38	864,851.88
12/01/2030	76,216		30,790.63	107,006.25
06/01/2031	691,216	160,000.00	30,790.63	882,006.25
12/01/2031	60,095		28,190.63	88,285.63
06/01/2032	710,095	170,000.00	28,190.63	908,285.63
12/01/2032	43,558		25,215.63	68,773.13
06/01/2033	723,558	175,000.00	25,215.63	923,773.13
12/01/2033	26,250		22,153.13	48,403.13
06/01/2034	216,250	185,000.00	22,153.13	423,403.13
12/01/2034	21,500		18,915.63	40,415.63
06/01/2035	221,500	190,000.00	18,915.63	430,415.63
12/01/2035	16,500		15,590.63	32,090.63
06/01/2036	226,500	200,000.00	15,590.63	442,090.63
12/01/2036	11,250		11,965.63	23,215.63
06/01/2037	231,250	205,000.00	11,965.63	448,215.63
12/01/2037	5,750		8,250.00	14,000.00
06/01/2038	235,750	215,000.00	8,250.00	459,000.00
12/01/2038			4,218.75	4,218.75
06/01/2039		225,000.00	4,218.75	229,218.75
	15,271,995	3,530,000.00	1,739,063.02	20,541,058.02



BOND PRICING

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
Serial Bond:						
	06/01/2016	80,000	2.000%	0.800%	101.225	980.00
	06/01/2017	95,000	2.000%	1.100%	101.799	1,709.05
	06/01/2018	100,000	2.000%	1.400%	101.772	1,772.00
	06/01/2019	100,000	2.000%	1.650%	101.358	1,358.00
	06/01/2020	105,000	2.000%	1.850%	100.716	751.80
	06/01/2021	110,000	3.000%	2.050%	105.360	5,896.00
	06/01/2022	115,000	3.000%	2.250%	104.849	5,576.35
	06/01/2023	120,000	3.000%	2.400%	104.356	5,227.20
		<u>825,000</u>				<u>23,270.40</u>
Term Bond 2025:						
	06/01/2025	255,000	3.000%	2.750%	101.789 C	4,561.95
Term Bond 2027:						
	06/01/2027	275,000	3.000%	3.000%	100.000	
Term Bond 2029:						
	06/01/2029	295,000	3.250%	3.250%	100.000	
Term Bond 2031:						
	06/01/2031	315,000	3.250%	3.450%	97.552	-7,711.20
Term Bond 2033:						
	06/01/2033	345,000	3.500%	3.600%	98.681	-4,550.55
Term Bond 2035:						
	06/01/2035	375,000	3.500%	3.700%	97.187	-10,548.75
Term Bond 2037:						
	06/01/2037	405,000	3.625%	3.800%	97.403	-10,517.85
Term Bond 2039:						
	06/01/2039	440,000	3.750%	3.850%	98.440	-6,864.00
		<u>3,530,000</u>				<u>-12,360.00</u>

Dated Date	05/01/2015	
Delivery Date	05/21/2015	
First Coupon	12/01/2015	
Par Amount	3,530,000.00	
Original Issue Discount	<u>-12,360.00</u>	
Production	3,517,640.00	99.649858%
Underwriter's Discount	<u>-81,237.00</u>	<u>-2.301331%</u>
Purchase Price	3,436,403.00	97.348527%
Accrued Interest	<u>6,225.35</u>	
Net Proceeds	<u>3,442,628.35</u>	



CALL PROVISIONS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Call Table: CALL

Call Date	Call Price
06/01/2023	100.00

Call Provisions Setup

Bond Component	Call Table	Callable Dates
Serial Bond	CALL	Any Date
Term Bond 2025	CALL	Any Date
Term Bond 2027	CALL	Any Date
Term Bond 2029	CALL	Any Date
Term Bond 2031	CALL	Any Date
Term Bond 2033	CALL	Any Date
Term Bond 2035	CALL	Any Date
Term Bond 2037	CALL	Any Date
Term Bond 2039	CALL	Any Date



FORM 8038 STATISTICS

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Dated Date 05/01/2015
Delivery Date 05/21/2015

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Serial Bond:						
	06/01/2016	80,000.00	2.000%	101.225	80,980.00	80,000.00
	06/01/2017	95,000.00	2.000%	101.799	96,709.05	95,000.00
	06/01/2018	100,000.00	2.000%	101.772	101,772.00	100,000.00
	06/01/2019	100,000.00	2.000%	101.358	101,358.00	100,000.00
	06/01/2020	105,000.00	2.000%	100.716	105,751.80	105,000.00
	06/01/2021	110,000.00	3.000%	105.360	115,896.00	110,000.00
	06/01/2022	115,000.00	3.000%	104.849	120,576.35	115,000.00
	06/01/2023	120,000.00	3.000%	104.356	125,227.20	120,000.00
Term Bond 2025:						
	06/01/2024	125,000.00	3.000%	101.789	127,236.25	125,000.00
	06/01/2025	130,000.00	3.000%	101.789	132,325.70	130,000.00
Term Bond 2027:						
	06/01/2026	135,000.00	3.000%	100.000	135,000.00	135,000.00
	06/01/2027	140,000.00	3.000%	100.000	140,000.00	140,000.00
Term Bond 2029:						
	06/01/2028	145,000.00	3.250%	100.000	145,000.00	145,000.00
	06/01/2029	150,000.00	3.250%	100.000	150,000.00	150,000.00
Term Bond 2031:						
	06/01/2030	155,000.00	3.250%	97.552	151,205.60	155,000.00
	06/01/2031	160,000.00	3.250%	97.552	156,083.20	160,000.00
Term Bond 2033:						
	06/01/2032	170,000.00	3.500%	98.681	167,757.70	170,000.00
	06/01/2033	175,000.00	3.500%	98.681	172,691.75	175,000.00
Term Bond 2035:						
	06/01/2034	185,000.00	3.500%	97.187	179,795.95	185,000.00
	06/01/2035	190,000.00	3.500%	97.187	184,655.30	190,000.00
Term Bond 2037:						
	06/01/2036	200,000.00	3.625%	97.403	194,806.00	200,000.00
	06/01/2037	205,000.00	3.625%	97.403	199,676.15	205,000.00
Term Bond 2039:						
	06/01/2038	215,000.00	3.750%	98.440	211,646.00	215,000.00
	06/01/2039	225,000.00	3.750%	98.440	221,490.00	225,000.00
		3,530,000.00			3,517,640.00	3,530,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	06/01/2039	3.750%	221,490.00	225,000.00		
Entire Issue			3,517,640.00	3,530,000.00	14.2919	3.4505%

Proceeds used for accrued interest	6,225.35
Proceeds used for bond issuance costs (including underwriters' discount)	284,433.00
Proceeds used for credit enhancement	16,000.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00



PROOF OF ARBITRAGE YIELD

Brushy Creek MUD - Sendero Springs & Cornerstones Defined Area
Unlimited Tax Bonds Series 2015

Date	Debt Service	Present Value to 05/21/2015 @ 3.4504851164%
12/01/2015	65,366.15	64,196.51
06/01/2016	136,028.13	131,328.36
12/01/2016	55,228.13	52,415.70
06/01/2017	150,228.13	140,159.84
12/01/2017	54,278.13	49,781.56
06/01/2018	154,278.13	139,097.47
12/01/2018	53,278.13	47,220.99
06/01/2019	153,278.13	133,548.06
12/01/2019	52,278.13	44,776.35
06/01/2020	157,278.13	132,424.48
12/01/2020	51,228.13	42,401.35
06/01/2021	161,228.13	131,184.73
12/01/2021	49,578.13	39,655.54
06/01/2022	164,578.13	129,406.81
12/01/2022	47,853.13	36,988.49
06/01/2023	167,853.13	127,543.10
12/01/2023	46,053.13	34,399.96
06/01/2024	171,053.13	125,603.31
12/01/2024	44,178.13	31,889.57
06/01/2025	174,178.13	123,596.51
12/01/2025	42,228.13	29,456.81
06/01/2026	177,228.13	121,531.20
12/01/2026	40,203.13	27,101.06
06/01/2027	180,203.13	119,415.31
12/01/2027	38,103.13	24,821.59
06/01/2028	183,103.13	117,256.24
12/01/2028	35,746.88	22,503.47
06/01/2029	185,746.88	114,948.75
12/01/2029	33,309.38	20,263.78
06/01/2030	188,309.38	112,615.25
12/01/2030	30,790.63	18,101.52
06/01/2031	190,790.63	110,261.74
12/01/2031	28,190.63	16,015.62
06/01/2032	198,190.63	110,686.19
12/01/2032	25,215.63	13,843.67
06/01/2033	200,215.63	108,056.48
12/01/2033	22,153.13	11,753.28
06/01/2034	207,153.13	108,040.57
12/01/2034	18,915.63	9,698.12
06/01/2035	208,915.63	105,295.27
12/01/2035	15,590.63	7,724.54
06/01/2036	215,590.63	105,005.09
12/01/2036	11,965.63	5,729.11
06/01/2037	216,965.63	102,120.73
12/01/2037	8,250.00	3,817.23
06/01/2038	223,250.00	101,544.64
12/01/2038	4,218.75	1,886.34
06/01/2039	229,218.75	100,753.05
	5,269,063.02	3,507,865.35

Proceeds Summary

Delivery date	05/21/2015
Par Value	3,530,000.00
Accrued interest	6,225.35
Premium (Discount)	-12,360.00
Arbitrage expenses	-16,000.00
Target for yield calculation	3,507,865.35

Exhibit "F"

CERTIFICATE OF ELECTION PURSUANT TO SECTION 148(f)(4)(C)
OF THE INTERNAL REVENUE CODE OF 1986

I, the undersigned, being the duly authorized representative of the Brushy Creek Municipal Utility District (the "Issuer") hereby state that the Issuer elects the provisions of section 148(f)(4)(C) of the Internal Revenue Code of 1986 (the "Code"), relating to the exception to arbitrage rebate for temporary investments, as more specifically designated below, with respect to the Issuer's Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds") which are being issued on the date of delivery of the Bonds. The CUSIP Number for the Bonds is stated on the Form 8038-G filed in connection with the Bonds. The Issuer intends to take action to comply with the two-year temporary investments exception to rebate afforded construction bonds under section 148(f)(4)(C) of the Code or any of the other exceptions available to the Issuer in accordance with section 1.148-7 of the Treasury Regulations. Capitalized terms have the same meaning as defined in the Federal Tax Certificate.

1. PENALTY ELECTION. In the event that the Issuer should fail to expend the "available construction proceeds" of the Bonds in accordance with the provisions of section 148(f)(4)(C) of the Code, the Issuer elects, in lieu of rebate, the penalty provisions of section 148(f)(4)(C)(vii)(I) of the Code.

2. RESERVE FUND ELECTION. The Issuer elects to exclude from "available construction proceeds," within the meaning of section 148(f)(4)(C)(vi) of the Code, of the Bonds, earnings on the Reserve Fund in accordance with section 148(f)(4)(C)(vi)(IV) of the Code.

3. MULTIPURPOSE ELECTION. The Issuer elects to treat that portion of the Bonds the proceeds of which are to be used for the payment of expenditures for construction, reconstruction or rehabilitation of the Projects, as defined in the instrument authorizing the issuance of the Bonds, in an amount which is currently expected to be equal to \$ _____ as a separate issue in accordance with the provisions of section 148(f)(4)(C)(v)(II) of the Code. (*Note: This election is not necessary unless less than 75 percent of the proceeds of the Bonds will be used for construction, reconstruction or renovation.*)

4. ACTUAL FACTS. For purposes of determining compliance with section 148(f)(4)(c) of the Code (other than qualification of the Bonds as a qualified construction issue), the Issuer elects to use actual facts rather than reasonable expectations.

5. NO ELECTION. The Issuer understands that the elections which are adopted as evidenced by the check in the box adjacent to the applicable provision are *irrevocable*. Further, the Issuer understands that qualification of the Bonds for eligibility for the exclusion from the rebate requirement set forth in section 148(f) of the Code is based on subsequent events and is unaffected by the Issuer's expectations of such events as of the date of delivery of the Bonds. Accordingly, while failure to execute this certificate and to designate the intended election does not preclude qualification, it would preclude the Issuer from the relief afforded by such election.

DATED: May 21, 2015



President, Board of Directors
Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681
Employer I.D. Number: 74-2006801

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

May 21, 2015

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
SENDERO SPRINGS AND CORNERSTONE DEFINED AREA
UNLIMITED TAX BONDS, SERIES 2015
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,530,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on April 23, 2015, authorizing the issuance of the Bonds (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 sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the Sendero Springs and Cornerstone Defined Area within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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,

McCl, Paulus Howard

LAW OFFICES

M^cCALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

May 21, 2015

Assured Guaranty Municipal Corp.
31 West 52nd Street, 27th Floor
New York, New York 10019

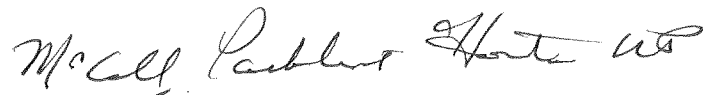
Re: \$3,530,000 Brushy Creek Municipal Utility District Sendero
Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series
2015

Ladies and Gentlemen:

This letter is to advise you that, as the issuer of the municipal bond insurance policy (the "Policy") which secures the payment of principal and interest on the referenced Bonds (the "Bonds"), you may rely on our Bond Counsel opinion dated the date hereof with respect to the Bonds as if you were a holder of the Bonds. This letter provides that only you may rely upon our Bond Counsel opinion, and only in connection with the transaction to which reference is made above and may not be relied upon by any other person for any purposes whatsoever without our prior written consent.

We render no opinion, however, as to the proper federal income tax treatment of any payment made to you by the Issuer in respect of the Policy as constituting "interest" within the meaning of section 61 of the Code.

Very truly yours,





KEN PAXTON
ATTORNEY GENERAL OF TEXAS

May 19, 2015

THIS IS TO CERTIFY that Brushy Creek Municipal Utility District (the "Issuer") has submitted the Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bond, Series 2015 (the "Bond"), in the principal amount of \$3,530,000, for approval. The Bond is dated May 1, 2015, numbered T-1, and was authorized by an Order of the Issuer passed on April 23, 2015.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to the official statement or any other offering material relating to the Bond.

Based on our examination, we have of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Bond is payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property in the Defined Area of the District.

Therefore, the Bond is approved.

A handwritten signature in cursive script that reads "Ken Paxton".

Attorney General of the State of Texas

No. 58761
Book No. 2015-B
JCH
* See attached Signature Authorization

OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF TEXAS

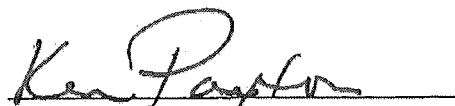
§
§
§

I, KEN PAXTON, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, district, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supersedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 5th day of January, 2015.




KEN PAXTON
Attorney General of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

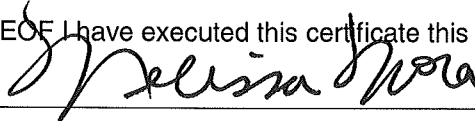
I, Melissa Mora, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 19th day of May 2015, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Areas Unlimited Tax Bond, Series 2015,

numbered T-1, dated May 1, 2015, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 19th day of May 2015.



I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 85171.

GIVEN under my hand and seal of office at Austin, Texas, this the 19th day of May 2015.



GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, GLENN HEGAR, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Areas Unlimited Tax Bond, Series 2015

numbered T-1, of the denomination of \$ 3,530,000, dated May 1, 2015, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 19th day of May 2015, under Registration Number 85171.

Given under my hand and seal of office, at Austin, Texas, the 19th day of May 2015.

A handwritten signature in black ink, appearing to read "Glenn Hegar", written in a cursive style.

GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

COATS | ROSE

May 21, 2015

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Robert W. Baird & Co. Incorporated
700 Milam Street, Suite 1300
Houston, Texas 77002

Re: \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

We have acted as disclosure counsel to Brushy Creek Municipal Utility District (the "District") in connection with the sale on this date of the District's \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds").

In our capacity as disclosure counsel, we have participated in the preparation of the Preliminary Official Statement of the District, dated March 26, 2015, and the Official Statement of the District, dated April 23, 2015 (collectively referred to as the "Official Statement"). Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements or information contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of such statements or information. However, based on our review of the documents described above, our review of the documents, certificates, opinions and other instruments delivered at the closing, on the date hereof, of the sale of the Bonds, our understanding of applicable law and the experience we have gained in our practice thereunder, we advise you that no information came to our attention which causes us to believe that the Official Statement (except as to any financial data included therein, as to which we are not called upon to express any opinion or belief) as of its date, and as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

COATS | ROSE | YALE | RYMAN | LEE
A Professional Corporation

9 Greenway Plaza, Suite 1100 Houston, Texas 77046

Phone: 713-651-0111 Fax: 713-651-0220

Based upon our review of the Bond Order and other records of the District reviewed in connection with the preparation of the Official Statement, it is our opinion that it is reasonable for an underwriter of the Bonds to determine that an issuer of and/or obligated person with respect to the Bonds has made an undertaking in connection with the offering of the Bonds that complies with the provisions of paragraph (b)(5) of Rule 15c2-12 of the United States Securities and Exchange Commission.

Furthermore, based on the foregoing, subject to the qualifications set forth above and in reliance on the matters described herein, we are of the opinion that the offering and sale of the Bonds do not require the registration of any security under the Securities Act of 1933, as amended.

The foregoing opinions are related solely to the laws of the State of Texas and the laws of the United States of America, and no opinion is expressed herein as to any matter governed by the laws of any other jurisdiction. This opinion may be relied upon by the addressees hereof and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

Coats, North, Yule,
Rayman & Lee, P.C.

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
FACSIMILE: 512 472-0871

717 NORTH HARWOOD
SUITE 900
DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET
SUITE 1525
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

June 1, 2015

VIA UPS 2ND DAY AIR 1Z56404W0298494468

Internal Revenue Service Center
1973 North Rulon White Boulevard
Ogden, Utah 84201-1000

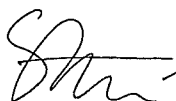
Re: Information Reporting - Tax-Exempt Bonds
Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

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 May 21, 2015.

Sincerely,

McCALL, PARKHURST & HORTON L.L.P.



Stefano Taverna

ST: gv
Enclosures
cc: Ms. Carol D. Polumbo

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
 ▶ See separate Instructions.
 Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>
1 Issuer's name Brushy Creek Municipal Utility District		2 Issuer's employer identification number (EIN) 74-2006801
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) None		3b Telephone number of other person shown on 3a N/A
4 Number and street (or P.O. box if mail is not delivered to street address) 16318 Great Oaks Drive	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Round Rock, Texas 78681		7 Date of issue 05/21/2015
8 Name of issue Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015		9 CUSIP number 117464 RT6
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Mike Petter, General Manager		10b Telephone number of officer or other employee shown on 10a (512) 255-7871

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.		
11 Education		11
12 Health and hospital		12
13 Transportation		13
14 Public safety		14
15 Environment (including sewage bonds)		15
16 Housing		16
17 Utilities		17 3,517,640
18 Other. Describe ▶		18
19 If obligations are TANs or RANs, check only box 19a ▶ <input type="checkbox"/>		
If obligations are BANs, check only box 19b ▶ <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box ▶ <input type="checkbox"/>		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	06/01/2039	\$ 3,517,640	\$ 3,530,000	14.29 years	3.4504 %

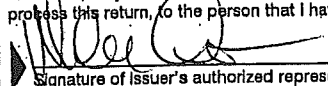
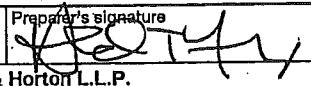
Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest		22	6,225
23	Issue price of entire issue (enter amount from line 21, column (b))		23	3,517,640
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	268,433	
25	Proceeds used for credit enhancement	25	16,000	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	-0-	
27	Proceeds used to currently refund prior issues	27	-0-	
28	Proceeds used to advance refund prior issues	28	-0-	
29	Total (add lines 24 through 28)	29	284,433	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	3,233,207	

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.		Not applicable
31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	_____ years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	_____ years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ▶	_____
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	_____

Form 8038-G (Rev. 9-2011)

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	-0-
b	Enter the final maturity date of the GIC ▶ _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	-0-
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:		
b	Enter the date of the master pool obligation ▶ _____		
c	Enter the EIN of the issuer of the master pool obligation ▶ _____		
d	Enter the name of the issuer of the master pool obligation ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(iii) (small issuer exception), check box		<input type="checkbox"/>
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		<input type="checkbox"/>
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box		<input type="checkbox"/>
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box		<input checked="" type="checkbox"/>
44	If the issuer has established written procedures to monitor the requirements of section 148, check box		<input checked="" type="checkbox"/>
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____		
b	Enter the date the official intent was adopted ▶ _____		

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.			
		5-21-15	Mike Petter General Manager	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed
	Harold T. Flanagan		051315	PTIN P01071147
	Firm's name ▶ McCall, Parkhurst & Horton L.L.P.	Firm's EIN ▶ 75-0799392		
	Firm's address ▶ 717 N. Harwood, Suite 900, Dallas, TX 75201	Phone no. 214-754-9200		



Jan Bartholomew
Managing Director
Public Finance

Phone: 832-871-5295
Email: jbartholomew@rwbaird.com

May 21, 2015

Ms. Regina Velasquez
Wells Fargo Bank, N.A.
625 Marquette Avenue
MAC: N9311-115
Minneapolis, MN 55402

RE: \$3,530,000 Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Dear Regina:

The delivery of the above captioned bonds (the "Bonds") is scheduled for 10:00 a.m., Thursday, May 21, 2015, at your bank. Ms. Carol Polumbo of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will handle all legal matters relating to the closing.

At or prior to closing, City Securities Corporation ("City Securities") will make arrangements to pay the bond insurance premium of \$16,000.00 in immediately available funds to Assured Guaranty Municipal Corporation:

The Bank of New York
ABA # 021 000 018
Account Name: Assured Guaranty Municipal Corp.
Account Number: [REDACTED]
Policy Number: 216800-N
Attn: Nicole Dimarco (212) 261-5593

At or prior to closing City Securities will wire \$3,442,628.36 in immediately available funds to:

Well Fargo Bank, N.A.
ABA: 121000248
A/C: [REDACTED]
Name: Corporate Trust Clearing
Attn: Regina Velasquez (612) 667-0647

The funds are calculated as follows:

Par Amount of the Bonds	\$3,530,000.00
Less: Discount on the Bonds	(93,597.00)
Plus: Accrued Interest	<u>6,225.36</u>
Total Amount to be Wired	<u>\$3,442,628.36</u>

Upon receipt of the total amount, Wells Fargo, N.A. ("Wells Fargo") will wire the immediately available funds as follows:



1. \$6,225.36 of accrued interest is to be wired to the District's depository bank:

JP Morgan Chase
ABA No.: 113000609
C/O LOGIC Participant Services
Dallas, TX
BNF: LOGIC Investment Cooperative/ Account Number [REDACTED]
OBI: Brush Creek MUD 2006801013

2. \$3,436,403.00 is to be wired to the District's depository bank:

JP Morgan Chase
ABA No.: 113000609
C/O LOGIC Participant Services
Dallas, TX
BNF: LOGIC Investment Cooperative/ Account Number [REDACTED]
OBI: Brush Creek MUD 2006801012

If I may be of further assistance, please do not hesitate to contact me at 832-871-5295.

Sincerely,

Jan Bartholomew
Managing Director
ROBERT W. BAIRD & CO.

cc: Ken Schmidt- City Securities Corporation
Andy Nicodemus- City Securities Corporation
Carol Polumbo - McCall, Parkhurst & Horton L.L.P.
Linda Sharpe - McCall, Parkhurst & Horton L.L.P.
Angela Stepherson - Coats Rose Yale Ryman & Lee P.C.
Ashlee Martin - Maxwell Locke & Ritter LLP
Mike Petter - Brushy Creek Municipal Utility District
Nicole DiMarco - Assured Guaranty Municipal Corporation
Eric Solomon - Moody's Investors Service

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:

\$3,530,000 Brushy Creek Municipal Utility District
Sendero Springs and Cornerstone Defined Area
Unlimited Tax Bonds, Series 2015;

(b) The undersigned is acting as Closing Agent on behalf of the Issuer of the Bonds.

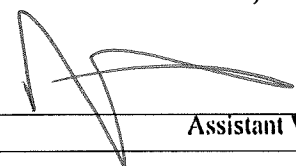
(c) The Bonds have been duly delivered to the purchasers thereof, namely:

CITY SECURITIES CORP.;

I hereby acknowledge the transfer of funds made on behalf of the District pursuant to the District's closing instruction letter dated May 21, 2015.

EXECUTED AND DELIVERED this 21st day of May, 2015.

WELLS FARGO BANK, N.A.

By: 
Title: Assistant Vice President

UNITED STATES OF AMERICA
STATE OF TEXAS

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

NO. R-1

PRINCIPAL
AMOUNT
\$80,000

<u>INTEREST RATE</u>	<u>DATE OF BONDS</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
2.000%	May 1, 2015	June 1, 2016	117464QU4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: EIGHTY 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 May 1, 2015 on December 1, 2015 and semiannually on each June 1 and December 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

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

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

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

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

institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of May 1, 2015 and authorized to be issued pursuant to the Bond Order adopted by the Board of Directors of the District in the principal amount of **\$3,530,000 TO FINANCE (1) WATER, WASTEWATER AND DRAINAGE FACILITIES SERVING SENDERO SPRINGS SECTION 7 AND ENCLAVE AT HIGHLAND HORIZON UTILITIES; (2) WATER, WASTEWATER AND DRAINAGE FACILITIES SERVING HIGHLAND HORIZON PHASE III; (3) DEVELOPER INTEREST; AND (4) CERTAIN COSTS ASSOCIATED WITH THE ISSUANCE OF THE BONDS.**

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

THE BONDS MATURING ON JUNE 1, 2025, June 1, 2027, June 1, 2029, June 1, 2031, June 1, 2033, June 1, 2035, June 1, 2037 and June 1, 2039 are subject to mandatory sinking fund redemption prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date ("Term Bonds").

Term Bond Maturing on June 1, 2025

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2024	\$125,000
June 1, 2025*	130,000

*Final Maturity

Term Bond Maturing on June 1, 2027

Mandatory	
<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2026	\$135,000
June 1, 2027*	140,000

*Final Maturity

Term Bond Maturing on June 1, 2029

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2028	\$145,000
June 1, 2029*	150,000

*Final Maturity

Term Bond Maturing on June 1, 2031

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2030	\$155,000
June 1, 2031*	160,000

*Final Maturity

Term Bond Maturing on June 1, 2033

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2032	\$170,000
June 1, 2033*	175,000

*Final Maturity

Term Bond Maturing on June 1, 2035

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2034	\$185,000
June 1, 2035*	190,000

*Final Maturity

Term Bond Maturing on June 1, 2037

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2036	\$200,000
June 1, 2037*	205,000

*Final Maturity

Term Bond Maturing on June 1, 2039

<u>Redemption Date</u>	<u>Principal Amount</u>
June 1, 2038	\$215,000
June 1, 2039*	225,000

*Final Maturity

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

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

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

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the principal denomination in the case of the Bonds, of any integral multiple of \$5,000. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a

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

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

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

THE BONDS are issued pursuant to the Bond Order, where under the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the Defined Area of the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Order, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such

purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Bond Order. Reference is hereby made to the Bond Order for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owners of the Bonds. By acceptance of this Bond the Registered Owner hereof consents to all of the provisions of the Bond Order, a certified copy of which is on file in the office of the District.

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

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

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

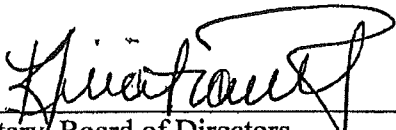
THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Order unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated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

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

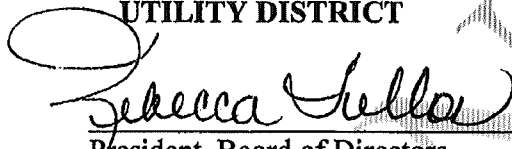
SPECIMEN

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

**BRUSHY CREEK MUNICIPAL
UTILITY DISTRICT**



Secretary, Board of Directors



President, Board of Directors



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.
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 in every
particular, without alteration or enlargement or
any change what so ever.

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank, N.A., Dallas, Texas, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

SPECIMEN

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns initial A2 underlying to Brushy Creek MUD's, TX \$3.53M Unlimited Tax Bonds, Series 2015

Global Credit Research - 10 Apr 2015

\$3.53M in Sendero Springs and Cornerstone Defined Area Bonds

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT, TX
Texas Municipal Utility Districts (MUDs)
TX

Moody's Rating

ISSUE		RATING
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015		A2
Sale Amount	\$3,530,000	
Expected Sale Date	04/23/15	
Rating Description	General Obligation	

Moody's Outlook NOO

NEW YORK, April 10, 2015 --Moody's Investors Service has assigned an initial A2 underlying rating to Brushy Creek Municipal Utility District's, TX \$3.53 million Unlimited Tax Bonds, Series 2015. The rating takes into consideration \$9.5 million in outstanding parity debt not rated by Moody's.

SUMMARY RATING RATIONALE

The rating reflects the district's defined area, a predominately residential tax base, which continues to grow at a rapid pace, stable financial performance with ample reserves, and a manageable debt profile and pension burden with no plans for additional parity debt borrowing.

OUTLOOK

Outlooks are usually not assigned to local government credits of this size with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

- Significant growth and diversification of the tax base
- Reduction in direct debt burden
- Maintenance of General Fund reserves and stable financial performance

WHAT COULD MAKE THE RATING GO DOWN

- Weak financial performance and erosion of reserve levels
- Tax base contraction
- Increase in debt profile

STRENGTHS

- Solid five-year average annual tax base growth
- Stable General Fund financial performance and position

- Favorable location north of Houston
- No plans for additional borrowing

CHALLENGES

- Limited \$264M tax base

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: LIMITED PREDOMINATELY RESIDENTIAL TAX BASE EXPERIENCES DOUBLE DIGIT GROWTH

We anticipate the designated area of the district's revenue generating base will remain stable over the near-term. The designated area of Sendero Springs and Cornerstone consists of 416.6 acres of the district's total 2,270. The designated area is located at the northern and southern portions of the district and is predominately developed with single-family residential properties. The taxable value of the entire district is sizeable in excess of \$1.2 billion, yet values in the designated area are more modest at \$264 million. The fiscal 2015 total taxable value represents a solid 30.3% growth over the previous year and rapid double digit growth of 21.4% on average over the last five years. Taxable value growth is directly related to ongoing home construction in the district. The district is favorably located 3.4 miles west of the City of Round Rock (Aa1) and 19 miles north of the City of Austin (Aaa / Stable outlook). Approximately 90% of the district's tax base is comprised of single-family residential properties. Officials report construction continues in the district's designated area as the area reaches full build-out. Top ten taxpayers within the designated area make up a modest 10% of the total taxable value and include homebuilders and home owners. The Williamson Central Appraisal District's preliminary figures indicate that the next taxable value (before freeze) is approximately \$320 million as of January 1, 2015.

In 1994, the district purchased from the Brazos River Authority the contractual right to divert and utilize 4,000-acre feet of water per annum in Stillhouse Hollow Reservoir, and became part of the Williamson County Regional Raw Water Line Project. The district owns and operates a water transmission system that includes a water treatment plant, transmission line, and related facilities. The district also owns four water wells. The district has entered into an agreement with the City of Round Rock for wholesale Wastewater service through the Brushy Creek Regional Wastewater System. We believe facilities utilized by the district are capable of meeting district demands.

FINANCIAL OPERATIONS AND RESERVES: DISTRICT FINANCIAL PERFORMANCE AND LIQUIDITY REMAINS HEALTHY

The district's financial performance and position remains healthy. Stable General Fund performance and annual operating surpluses, aided by growing property taxes and collections for services, have resulted in the district's healthy and stable financial and liquidity position. Operating surpluses in each of the last five years has resulted in a healthy total General Fund balance at fiscal year-end 2014 of \$14.8 million, which is up from \$9.77 million at fiscal year-end 2009. Roughly \$9.1 million of the district's total General Fund balance was categorized as unassigned while \$4.28 million was designated as committed for repair and replacement of capital assets. As district population has grown, so has service connections, charges for service, and property tax revenues. In fiscal 2014 General Fund revenues of \$11.2 million exceeded General Fund expenditures of \$10.4 million. General Fund revenues of the district are primarily derived from water and wastewater service charges (45.1% of total General Fund revenues), property taxes (28.4%), and garbage collection fees (10.3%). The majority of district fiscal 2014 expenditures were for personnel (29.4% of total General Fund expenditures) and capital outlay (14%). The district currently levies a total tax rate of \$8.50 per \$1,000 of assessed valuation, which is a slight decrease from the prior year. The district was able to reduce overall taxes due to growing revenue streams and property tax values. The total rate is derived from a maintenance and operations levy of \$2.30, a district debt service levy of \$2.50, and a specific debt service levy for the designated area of \$3.50 for which the current offering is secured. Officials report stable year to date financial performance and do not anticipate any significant draw on the current reserve position.

Liquidity

Cash and investments maintained in the district's General Fund was \$14.7 million as of fiscal year-end 2014 (or an ample 141.6% of General Fund revenues). The fiscal 2015 cash level is expected to remain in line with Fund

performance in fiscal 2015. We do not anticipate any significant draws or decreases in cash in the near-term.

DEBT AND PENSIONS: MANAGEABLE DEBT AND PENSION BURDEN WITH NO PLANS FOR ADDITIONAL PARITY BORROWING

Debt Structure

Post sale the district will have \$13 million in outstanding Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds that are payable solely from the property taxes collected in the designated area. The direct debt burden as it relates to the designated area is manageable at 4.9%, calculated from fiscal 2015 taxable value of \$264 million. The overlapping debt burden is a high 12.6% and mainly reflective of debt issued by the wider MUD, Round Rock ISD (GO rated Aaa / Stable outlook), and Williamson County (Aa1 / Stable). District officials report no plans for additional parity borrowing as the designated area reaches full build out. Officials do anticipate water and sewer revenue backed obligations later in the year that will support system infrastructure for the wider MUD.

Debt-Related Derivatives

The district is not party to any VRDO or interest rate derivatives. The district has no BANs outstanding nor does it have any privately placed debt.

Pensions and OPEB

Unlike many MUDs in Texas, the district participates in the Texas County and District Retirement System (TCDRS) pension plan. Moody's adjusted net pension liability (ANPL) for the district, under our methodology for adjusting reported pension data, is a modest \$953 thousand. This liability is equal to a marginal 0.07x annual operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported contribution information, or the reported liability information of the statewide cost-sharing plans, but to improve comparability with other rated entities. For more information on Moody's insights on employee pensions and the related credit impact on companies, government, and other entities across the globe, please visit Moody's on Pensions at www.moody.com/pensions.

MANAGEMENT AND GOVERNANCE

The district is governed by a board consisting of five members, which has control over management supervision of all affairs of the district. Texas municipal utility districts (MUDs) have an institutional framework score of "A", or moderate. MUDs receive funding from property taxes with limits for operations determined by voters, and water/sewer revenues. However, given the single purpose nature of the districts, there tends to be limited expenditure flexibility. Debt service tax rate is unlimited. A history of stable operations with margins under the tax cap supports the non-pressured recommendation.

KEY STATISTICS

- Assessed Value (Full Value), Fiscal 2015: \$264 million
- Assessed Value (Full Value) Per Capita, Fiscal 2014: \$103,233
- Median Family Income as % of US Median: 133%
- Fund Balance as % of Revenues, Fiscal 2014: 121.2%
- 5-Year Dollar Change in Fund Balance as % of Revenues: 31.9%
- Cash Balance as % of Revenues, Fiscal 2014: 129.9%
- 5-Year Dollar Change in Cash Balance as % of Revenues: 14.4%
- Institutional Framework: "A"
- 5-Year Average Operating Revenues / Operating Expenditures: 1.05x
- Net Direct Debt as % of Assessed Value: 4.94%
- Net Direct Debt / Operating Revenues: 0.85x

- 3-Year Average ANPL as % of Assessed Value: 0.07%

- 3-Year Average ANPL / Operating Revenues: 0.08x

OBLIGOR PROFILE

The district was created in 1977 as Williamson County MUD 2 by an order of the TCEQ. The district was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,270 acres within its boundaries. The district lies roughly 3.4 miles west of the City of Round Rock and 19 miles north of the City of Austin.

LEGAL SECURITY

The bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property located within the Sendero Springs and Cornerstone Defined Area within the district.

USE OF PROCEEDS

Proceeds from the sale of bonds will be used to fund a portion of the water, wastewater and drainage facilities to serve The Enclave at Highland Horizon and Sendero Springs, as well as water, wastewater and drainage facilities for Highland Horizon Phase III and electric service to a district lift station.

Principal Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody.com for additional regulatory disclosures for each credit rating.

Analysts

James Hobbs
Lead Analyst
Public Finance Group
Moody's Investors Service

Robert Azrin
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S INVESTORS SERVICE

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500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel (214) 871-1400
reference no.: 1393171

April 27, 2015

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019
Attention: Mr. Richard Bauerfeld, Chief Surveillance Officer

Re: \$3,530,000 Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County), Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015, dated: May 01, 2015, due: June 01, 2016-2023, 2025, 2027, 2029, 2031, 2033, 2035, 2037 and 2039, (POLICY #216800-N)

Dear Mr. Bauerfeld:

Standard & Poor's Ratings Services ("Ratings Services") has assigned an insured rating of "AA" on the above obligations, based on the policy provided by your company.

We may adjust the underlying rating and the capital charge as a result of changes in the financial position of the issuer or performance of the collateral, or of amendments to the documents governing the issue, as applicable. With respect to the letter, please notify us of any changes or amendments over the term of the debt.

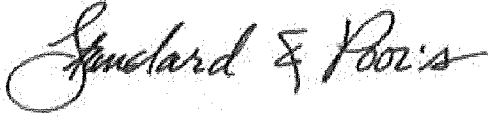
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Standard & Poor's must receive complete documentation relating to this issue no later than 90 days after the date of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

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Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at 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

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enclosure



STANDARD & POOR'S RATINGS SERVICES

McGRAW HILL FINANCIAL

Standard & Poor's Ratings Services Terms and Conditions Applicable To Public Finance Credit Ratings

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**HYLAND NORTH JOINT VENTURE
1001 FANNIN, SUITE 4700
HOUSTON, TEXAS 77002**

May 21, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Robert W. Baird & Co. Incorporated
700 Milam Street, Suite 1300
Houston, Texas 77002

Re: \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District (the "District") of its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"), the District and Robert W. Baird & Co. Incorporated, as financial advisor, have, among other things, participated in the preparation of the Official Notice of Sale, the Preliminary Official Statement, dated March 26, 2015, the Official Statement, dated April 23, 2015, and the Official Bid Form to be distributed by the financial advisor to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement."

We are developers of the property within the District and the Sendero Springs and Cornerstone Defined Area and are executing and delivering this Letter of Representation in order to induce you to proceed with distribution and consummation of the sale of the Bonds.

1. We hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. We covenant, represent, and warrant as follows:

(a) At the date hereof, the information contained in the Official Statement concerning the undersigned, as specifically set forth in Exhibit "A" attached hereto, is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the

statements therein, in light of the circumstances under which they are made, not misleading.

(b) No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or public board is pending against us, nor, to the best of the knowledge of the person signing on our behalf, is there any basis therefor, wherein an unfavorable decision, ruling, or finding would, in any material respect, adversely affect our ownership of property within the District as described in the Official Statement or adversely affect in any way the validity or enforceability of the Bonds or this Letter of Representation.

(c) We are a Texas joint venture duly authorized to do business in the State of Texas and have due authority to carry on the business in which we are engaged and to own and operate the properties owned and used by us in such business.

(d) This Letter of Representation is a legal, valid, and binding obligation of the undersigned enforceable in accordance with its terms, except to the extent that the enforcement hereof may be limited by bankruptcy, reorganization, and similar laws of general application affecting creditors. The execution and delivery of this Letter of Representation and compliance with provisions hereof will not result in a violation of any of the terms or provisions of any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which we are a party or by which we are bound, or any order, rule, regulation, or law applicable to us of any court or any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over us or our properties, nor will compliance therewith result in any violation of the provisions of our organizational documents.

3. During a period of ninety (90) days following delivery of the Bonds by the District (currently anticipated to be May 21, 2015) if any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which the Official Statement is delivered to a purchaser, not misleading, insofar as such statements relate to the undersigned or any other information furnished by us to you or your financial advisor, we will forthwith furnish to you the information necessary for you to prepare either amendments to the Official Statement or supplemental information so that the statements in the Official Statement with respect to us or any other information furnished by us to you or your financial advisor expressly for use in the Official Statement will not, in light of the circumstances under which the Official Statement as so amended or supplemented is delivered to a purchaser, be misleading.

4. The agreements contained herein and our representations and warranties set forth in this Letter of Representation shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of you, and (ii) acceptance of and payment for the Bonds.

5. Our representatives have participated in conferences with your representatives in connection with the preparation of, and have generally reviewed, the Official Statement. In the

course of such conferences and review, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue or misleading statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, although, except as to the information described in paragraph 2(a) above, we assume no responsibility to you to undertake to verify such information.

6. This Letter of Representation is made solely for your benefit and the benefit of members of your Board of Directors and your successors and assigns, and no other person, partnership, association, corporation, or governmental body shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds merely because of such purchase.

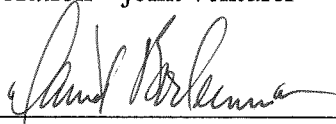
7. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Texas.

8. The undersigned hereby represent that they are duly authorized to execute this Letter of Representation.

Very truly yours,

HYLAND NORTH JOINT VENTURE,
a Texas joint venture

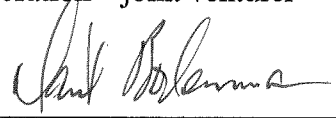
By: Brushy Creek Development Corporation,
a Texas corporation – joint venturer

By: 

Name: DAVID BODEMAN

Its: PRES

By: HRI Development Corporation,
a Texas corporation – joint venturer

By: 

Name: DAVID BODEMAN

Its: PRES

EXHIBIT "A"

The information concerning HYLAND NORTH JOINT VENTURE, and its affairs and developments contained under the following captions in the Official Statement:

1. "OFFICIAL STATEMENT SUMMARY – THE DISTRICT – Status of Development within the Sendero Springs and Cornerstone Defined Area; and – The Developers."
2. "THE SENDERO SPRINGS AND CORNERSTONE DEFINED AREA."
3. "THE DISTRICT."
4. "THE DEVELOPERS."

**HYLAND JOINT VENTURE
1001 FANNIN, SUITE 4700
HOUSTON, TEXAS 77002**

May 21, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Robert W. Baird & Co. Incorporated
700 Milam Street, Suite 1300
Houston, Texas 77002

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Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District (the "District") of its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"), the District and Robert W. Baird & Co. Incorporated, as financial advisor, have, among other things, participated in the preparation of the Official Notice of Sale, the Preliminary Official Statement, dated March 26, 2015, the Official Statement, dated April 23, 2015, and the Official Bid Form to be distributed by the financial advisor to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement."

We are developers of the property within the District and the Sendero Springs and Cornerstone Defined Area and are executing and delivering this Letter of Representation in order to induce you to proceed with such distribution and consummation of the sale of the Bonds.

1. We hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. We covenant, represent, and warrant as follows:

(a) At the date hereof, the information contained in the Official Statement concerning the undersigned, as specifically set forth in Exhibit "A" attached hereto, is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the

statements therein, in light of the circumstances under which they are made, not misleading.

(b) No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or public board is pending against us, nor, to the best of the knowledge of the person signing on our behalf, is there any basis therefor, wherein an unfavorable decision, ruling, or finding would, in any material respect, adversely affect our ownership of property within the District as described in the Official Statement or adversely affect in any way the validity or enforceability of the Bonds or this Letter of Representation.

(c) We are a Texas joint venture duly authorized to do business in the State of Texas and have due authority to carry on the business in which we are engaged and to own and operate the properties owned and used by us in such business.

(d) This Letter of Representation is a legal, valid, and binding obligation of the undersigned enforceable in accordance with its terms, except to the extent that the enforcement hereof may be limited by bankruptcy, reorganization, and similar laws of general application affecting creditors. The execution and delivery of this Letter of Representation and compliance with provisions hereof will not result in a violation of any of the terms or provisions of any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which we are a party or by which we are bound, or any order, rule, regulation, or law applicable to us of any court or any federal or state regulatory body or administrative agency or other governmental body having jurisdiction over us or our properties, nor will compliance therewith result in any violation of the provisions of our organizational documents.

3. During a period of ninety (90) days following delivery of the Bonds by the District (currently anticipated to be May 21, 2015) if any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which the Official Statement is delivered to a purchaser, not misleading, insofar as such statements relate to the undersigned or any other information furnished by us to you or your financial advisor, we will forthwith furnish to you the information necessary for you to prepare either amendments to the Official Statement or supplemental information so that the statements in the Official Statement with respect to us or any other information furnished by us to you or your financial advisor expressly for use in the Official Statement will not, in light of the circumstances under which the Official Statement as so amended or supplemented is delivered to a purchaser, be misleading.

4. The agreements contained herein and our representations and warranties set forth in this Letter of Representation shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of you, and (ii) acceptance of and payment for the Bonds.

5. Our representatives have participated in conferences with your representatives in connection with the preparation of, and have generally reviewed, the Official Statement. In the

course of such conferences and review, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue or misleading statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, although, except as to the information described in paragraph 2(a) above, we assume no responsibility to you to undertake to verify such information.

6. This Letter of Representation is made solely for your benefit and the benefit of members of your Board of Directors and your successors and assigns, and no other person, partnership, association, corporation, or governmental body shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" shall not include any purchaser of Bonds merely because of such purchase.

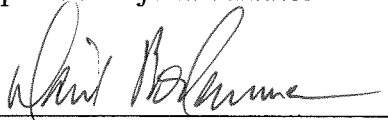
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8. The undersigned hereby represent that they are duly authorized to execute this Letter of Representation.

Very truly yours,

HYLAND JOINT VENTURE,
a Texas joint venture

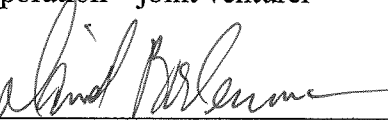
By: Brushy Creek Development Corporation,
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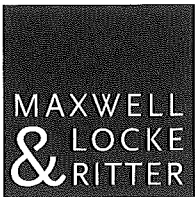
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MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

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

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

May 21, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

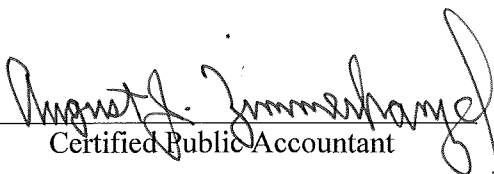
Robert W. Baird & Co. Incorporated
700 Milam Street, Suite 1300
Houston, Texas 77002

Re: \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

We are independent certified public accountants and, as such, furnished an opinion on Brushy Creek Municipal Utility District's general purpose financial statements as of and for the year ended September 30, 2014, which opinion is included as an Appendix to the Preliminary Official Statement and the Official Statement, related to the District's \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015. We hereby consent to the reproduction of such opinion and financial statements in the Preliminary Official Statement and the Official Statement, and the description of us therein as auditor for the District.

Sincerely,

By: 
Certified Public Accountant

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Advisor"
This firm is not a CPA firm

**DEBORAH M. HUNT
TAX ASSESSOR/COLLECTOR FOR WILLIAMSON COUNTY
904 S. MAIN STREET
GEORGETOWN, TEXAS 78626**

May 21, 2015

LETTER OF REPRESENTATION

Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Robert W. Baird & Co. Incorporated
700 Milam Street, Suite 1300
Houston, Texas 77002

Re: \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and
Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

In connection with the issuance and sale by Brushy Creek Municipal Utility District (the "District") of its \$3,530,000 Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"), the District and Robert W. Baird & Co. Incorporated, as financial advisor, have, among other things, participated in the preparation of the Official Notice of Sale, the Preliminary Official Statement, dated March 26, 2015, the Official Statement, dated April 23, 2015, and the Official Bid Form to be distributed by the financial advisor to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement."

I am the Tax Assessor/Collector for the District and am executing and delivering this Letter of Representation to make the agreements stated herein and to acknowledge your reliance as to certain information necessary for the preparation of the Official Statement and provided by me, as more fully described below.

1. I hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.
2. I consent to the use in the Official Statement of the information specified in Exhibit "A" attached hereto.

3. I represent and warrant that the information contained in the Official Statement specified in Exhibit "A" attached hereto is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of circumstances under which they are made, not misleading. Unless I have notified you in writing to the contrary prior to the date of actual delivery of the Bonds to the purchasers of the Bonds against payment therefor (the "Closing Date"), you may rely on such information to be true and correct through the period from the date of this letter to and including the Closing Date. In addition, for a period of 30 days after the Closing Date, I agree promptly to advise you in writing of any facts which would require material corrections or additions to such information and of which I become aware during such period.

4. I consent to the use of my name in the Official Statement, particularly in the section entitled "THE DISTRICT – Management of the District – Consultants – Tax Assessor/Collector" and as described therein.

5. This Letter of Representation is made solely for your benefit and the benefit of the members of the board of directors of the District and no other person, including any person who purchases the Bonds, shall acquire or have any right hereunder or by virtue hereof.

Sincerely,



Deborah M. Hunt,

Tax Assessor/Collector for Williamson County

EXHIBIT "A"

The information relating to assessed valuation of taxable property in Brushy Creek Municipal Utility District (the "District"), the principal taxpayers in the District, the collection of the District's taxes (as shown by the District's tax records), and myself contained in the Official Statement under the following captions:

1. "THE DISTRICT – Management of the District – Consultants – Tax Assessor/Collector."
2. "TAX DATA – Historical Tax Collections; – Analysis of Tax Base; and – Principal Taxpayers."

ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the \$3,530,000 Brushy Creek Municipal Utility District Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers ("Initial Purchasers") which has purchased the Bonds from Brushy Creek Municipal Utility District (the "District"), at competitive sale.

2. All of the Bonds have been offered to members of the public in bona fide initial offering. For purposes of this Bond, the term "public" Does not include any bondhouses, broker dealers, and similar person or organizations acting in the capacity of underwriters or wholesalers (including the Purchaser or members of the selling group or persons that are related to, or controlled by, or acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Bonds was offered to the public at a price which, on the date of such ordering, was reasonably expected by the Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below.

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	.80 %	2028	\$145,000	- %
2017	95,000	1.10 %	2029	150,000	3.25 %
2018	100,000	1.40 %	2030	155,000	- %
2019	100,000	1.85 %	2031	160,000	3.45 %
2020	105,000	1.85 %	2032	170,000	- %
2021	110,000	2.05 %	2033	175,000	3.80 %
2022	115,000	2.25 %	2034	185,000	- %
2023	120,000	2.40 %	2035	190,000	3.70 %
2024	125,000	- %	2036	200,000	- %
2025	130,000	2.75 %	2037	205,000	3.80 %
2026	135,000	- %	2038	215,000	- %
2027	140,000	3.00 %	2039	225,000	3.85 %

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

Maturity (June 1)	Principal Amount	Price/Yield	Maturity (June 1)	Principal Amount	Price/Yield
2016	\$80,000	___%	2028	\$145,000	___%
2017	95,000	___%	2029	150,000	___%
2018	100,000	___%	2030	155,000	___%
2019	100,000	___%	2031	160,000	___%
2020	105,000	___%	2032	170,000	___%
2021	110,000	___%	2033	175,000	___%
2022	115,000	___%	2034	185,000	___%
2023	120,000	___%	2035	190,000	___%
2024	125,000	___%	2036	200,000	___%
2025	130,000	___%	2037	205,000	___%
2026	135,000	___%	2038	215,000	___%
2027	140,000	___%	2039	225,000	___%



May 19, 2015

VIA EMAIL

Carol Polumbo, Esq.
McCall, Parkhurst & Horton L.L.P.
600 Congress Avenue
Suite 1800
Austin, Texas 78701

Re: \$3,530,000 in aggregate principal amount of Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County) Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (Policy No. 216800-N)

Dear Ms. Polumbo:

Enclosed please find a copy of the municipal bond insurance policy of Assured Guaranty Municipal Corp. ("AGM"), the executed disclosure, no default and tax certificate and the executed opinion of Counsel in connection with the above-referenced issue scheduled to close on May 21, 2015. The opinion and certificate shall be treated as originals. The original municipal bond insurance policy will be sent to your attention via overnight mail to be held in escrow until the closing. Upon successful completion of the closing, the insurance policy may be released and the original sent to the Paying Agent / Trustee.

In addition to your receiving my verbal instruction, I must receive the following before the insurance policy and opinion may be released:

1. A copy of the executed final approving opinion delivered by Bond Counsel, and a reliance letter addressed to AGM, as described in our Commitment Letter in respect of the subject issue.
2. The wire transfer in federal funds of an amount equal to the insurance premium, as described in our Commitment Letter, in accordance with our payment instructions. Verbal confirmation of the wire number shall be sufficient evidence for the release of the insurance policy.
3. **Your assurance that you will promptly cause to be delivered to AGM one original and two copies of the final closing transcript of proceedings. Such closing transcript may be in the form of either hard copies or three CD-ROMs thereof required by the Commitment Letter. Closing documents should be addressed to the attention of the Records Department.**

I ask you to send item 1 to my attention via fax (212) 581-3268 or email at NDiMarco@assuredguaranty.com, and email me with respect to item 2. Instructions for wiring of funds are attached for your convenience. I need to receive the documents referred to in item 3 by June 5, 2015.

I will email the rating letters from Standard & Poor's and Kroll's to you at the closing.

Please let me know if you have any further questions.

Very truly yours,

Nicole DiMarco
Closing Coordinator

Enclosures

Assured Guaranty Municipal Corp.

31 West 52nd Street
New York, NY 10019

main 1 212 826 0100
fax 1 212 688 3101

info@assuredguaranty.com

www.assuredguaranty.com

In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.



MUNICIPAL BOND INSURANCE POLICY

ISSUER: Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County)

Policy No.: 216800-N

Effective Date: May 21, 2015

BONDS: \$3,530,000 in aggregate principal amount of Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Premium: \$16,000.00

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.

Page 2 of 2
Policy No. 216800-N

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By


Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
ASSURED GUARANTY MUNICIPAL CORP.**

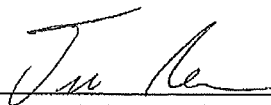
The undersigned hereby certifies on behalf of Assured Guaranty Municipal Corp. ("AGM"), in connection with the issuance by AGM of its Policy No. 216800-N (the "Policy") in respect of the \$3,530,000 in aggregate principal amount of Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County) Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds") that:

- (i) the information set forth under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." in the official statement dated April 23, 2015, relating to the Bonds (the "Official Statement") is true and correct; provided, however, at March 31, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,730 million and its net unearned premium reserve was approximately \$1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles,
- (ii) AGM is not currently in default nor has AGM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation,
- (iii) the Policy is an unconditional and recourse obligation of AGM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds in the event of Nonpayment by the Issuer (as set forth in the Policy),
- (iv) the insurance premium of \$16,000.00 (the "Premium") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to AGM as a condition to the issuance of the Policy,
- (v) no portion of such Premium represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by AGM to maintain its ratings, which, together with all other overhead expenses of AGM, are taken into account in the formulation of its rate structure, or for the provision of additional services by us, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor),
- (vi) AGM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Premium, AGM will not use any portion of the Bond proceeds; provided, however, that AGM or its affiliates may independently provide a guaranteed investment contract for the investment of all or a portion of the proceeds of the Bonds,
- (vii) except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by AGM,
- (viii) AGM does not expect that a claim will be made on the Policy,
- (ix) the Issuer is not entitled to a refund of the premium for the Policy in the event a Bond is retired before the final maturity date, and
- (x) for Bonds which are secured by a debt service reserve fund, AGM would not have issued the Policy unless the authorizing or security agreement for the Bonds provided for a debt service reserve fund funded and maintained in an amount at least equal to, as of any particular date of computation, the reserve requirement as set forth in such agreement.

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

ASSURED GUARANTY MUNICIPAL CORP.

By: _____



Authorized Officer

Dated: May 21, 2015



May 21, 2015

Municipal Bond Insurance Policy No. 216800-N With Respect to
\$3,530,000 In Aggregate Principal Amount of
Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson
County)
Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Ladies and Gentlemen:

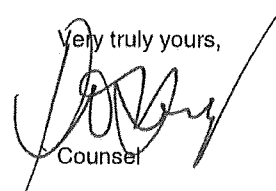
I am Counsel of Assured Guaranty Municipal Corp., a New York stock insurance company ("AGM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by AGM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this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

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

1. AGM is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.
2. The Policy has been duly authorized, executed and delivered by AGM.
3. The Policy constitutes the valid and binding obligation of AGM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of AGM and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policy under the caption "**MUNICIPAL BOND INSURANCE – Bond Insurance Policy**" in the official statement relating to the above-referenced Bonds dated April 23, 2015 (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, the caption "**MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.**".

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

Very truly yours,

Counsel

Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County),
c/o McCall, Parkhurst & Horton L.L.P.
600 Congress Avenue,
Austin, Texas 78701.

City Securities Corporation,
30 South Meridian Street
Suite 600,
Indianapolis, Indiana 46204.

Assured Guaranty Municipal Corp.

31 West 52nd Street
New York, NY 10019

main 1 212 826 0100
fax 1 212 688 3101

info@assuredguaranty.com

www.assuredguaranty.com

NOTICE OF CLAIM AND CERTIFICATE

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019

The undersigned, a duly authorized officer of [FULL NAME OF TRUSTEE or PAYING AGENT] (the "Trustee/Paying Agent"), hereby certifies to Assured Guaranty Municipal Corp. ("AGM"), with reference to Municipal Bond Insurance Policy No. 216800-N dated May 21, 2015 (the "Policy") issued by AGM in respect of the Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County) Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015 (the "Bonds"), that:

(i) The Trustee/Paying Agent is the Trustee/Paying Agent under the document authorizing the issuance of the Bonds (the "Indenture") for the Holders.

(ii) The sum of all amounts on deposit (or scheduled to be on deposit) in the [RELEVANT ACCOUNTS] and available for distribution to the Holders pursuant to the Indenture will be \$_____ (the "Shortfall") less than the aggregate amount of principal and interest Due for Payment on _____ ("Scheduled Payments").

(iii) The Trustee/Paying Agent is making a claim under the Policy for the Shortfall to be applied to the payment of Scheduled Payments.

(iv) The Trustee/Paying Agent agrees that, following receipt of funds from AGM, it shall (a) hold such amounts in trust and apply the same directly to the payment of Scheduled Payments on the Bonds when due; (b) not apply such funds for any other purpose; (c) not commingle such funds with other funds held by the Trustee/Paying Agent and (d) maintain an accurate record of such payments with respect to each Bond and the corresponding claim on the Policy and proceeds thereof, and, if the Bond is required to be [SURRENDERED/PRESENTED] for such payment, shall stamp on each such Bond the legend "\$[insert applicable amount] paid by AGM and the balance hereof has been canceled and reissued" and then shall deliver such Bond to AGM.

(v) The Trustee/Paying Agent, on behalf of the Holders, hereby assigns to AGM the rights of the Holders with respect to the Bonds to the extent of any payments under the Policy, including, without limitation, any amounts due to the Holders in respect of securities law violations arising from the offer and sale of the Bonds. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to AGM in respect of such payments. Payments to AGM in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all Scheduled Payments in respect of the Bonds. The Trustee/Paying Agent shall take such action and deliver such instruments as may be reasonably requested or required by AGM to effectuate the purpose or provisions of this clause (v).

(vi) The Trustee/Paying Agent, on its behalf and on behalf of the Holders, hereby appoints AGM as agent and attorney-in-fact for the Trustee/Paying Agent and each such Holder in any legal proceeding with respect to the Bonds. The Trustee/Paying Agent hereby agrees that, so long as AGM shall not be in default in its payment obligations under the Policy, AGM may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Bonds (a "Preference Claim"), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of AGM but subject to reimbursement as provided in the Indenture and (C) the posting of any surety, supersedes or performance bond pending any such appeal. In addition, the Trustee/Paying Agent hereby agrees that AGM shall be subrogated to, and the Trustee/Paying Agent on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Trustee/Paying Agent and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by wire transfer directed to [SPECIFY INSURANCE ACCOUNT].

Unless the context otherwise requires, capitalized terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Policy.

IN WITNESS WHEREOF, the Trustee/Paying Agent has executed and delivered this Notice of Claim and Certificate as of the _____ day of _____, _____.

By _____

Title _____

For AGM or
Fiscal Agent Use Only
Wire transfer sent on _____ By _____
Confirmation Number _____

**PROCEDURES FOR PREMIUM PAYMENT
TO
ASSURED GUARANTY MUNICIPAL CORP.
("AGM")**

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

Confirmation of Amount to be Paid:	Upon determination of the final debt service schedule, fax such schedule to AGM Attention: James Binette, Managing Director Phone No.: (212) 408-6005 Fax No.: (212) 408-6090
---------------------------------------	---

Confirm with AGM's credit analyst that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank:	The Bank of New York
ABA#:	021 000 018
Acct. Name:	Assured Guaranty Municipal Corp.
Account No.:	8900297263
Policy No.:	216800-N

CONFIRMATION OF PREMIUM WIRE NUMBER AT CLOSING

AGM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Nicole DiMarco, Closing Coordinator , (212) 261-5593.

KBRA**KROLL BOND
RATING AGENCY**

Mr. Richard J. Bauerfeld
Chief Surveillance Officer, Structured Finance
Assured Guaranty
31 West 52nd Street
New York, NY 10019

April 27, 2015

Re: \$3,530,000 Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County) Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015, dated: May 1, 2015 - Policy No. 216800-N

Dear Mr. Bauerfeld:

With respect to the above-referenced obligation, Kroll Bond Rating Agency, Inc. ("KBRA") has assigned an insurance financial strength rating of AA+, Stable to Assured Guaranty Municipal Corp. ("Financial Guarantor"), which is providing an unconditional and irrevocable guarantee of the above-referenced obligation. Based entirely on the rating of the Financial Guarantor, KBRA hereby assigns a AA+, Stable rating to the above-referenced security. This rating is based exclusively on KBRA's published rating of the Financial Guarantor and the policy issued by the Financial Guarantor. KBRA has not conducted a comprehensive analysis of the above-referenced obligation on a stand-alone basis, the issuer of such obligation or the related transaction. In the event KBRA's rating on the Financial Guarantor changes, KBRA's rating on the above-referenced obligation will change accordingly.

In accordance with KBRA policy, assigned ratings are subject to revision or withdrawal, without notice, at the sole discretion of KBRA.

The rating and other views of KBRA are statements of opinion and not statements of fact. They are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, marketability, the suitability of any investment, loan or security for a particular investor (including, but not limited to, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. You acknowledge that KBRA is not your advisor and is not providing you any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. The rating should not be viewed as a replacement for such advice or services. You understand that KBRA has not consented to, and will not consent to, being named an "expert" under the federal securities laws including, without limitation, Section 7 of the Securities Act of 1933. Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between you and us or between us and any user of the rating set forth above.

This letter constitutes KBRA's permission to you to disseminate the rating set forth above to interested parties in accordance with applicable laws. The rating set forth above is subject to the terms and conditions set forth in KBRA's website and those attached hereto, which any party receiving this letter or the rating set forth above should review and understand.

KBRA

**KROLL BOND
RATING AGENCY**

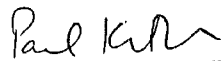
KBRA shall have the right to publish, disseminate or license others to publish or otherwise to disseminate the rating set forth above or the rationale for the rating.

KBRA is pleased to have had the opportunity to be of service to you.

Sincerely,

KROLL BOND RATING AGENCY, INC.

By:



Paul Kwiatkoski
Managing Director



April 24, 2015

VIA E-MAIL

Mr. Ken Schmidt
City Securities Corporation
30 South Meridian Street
Suite 600
Indianapolis, Indiana 46204

Re: Not to Exceed \$3,530,000 aggregate principal amount of Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County) Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Dear Mr. Nicodemus:

Enclosed please find Assured Guaranty Municipal Corp.'s ("AGM") commitment letter (the "Commitment") in respect of the above-referenced issue. Please return one fully executed original to me at the address indicated below. The signed Commitment, executed by an authorized officer, must be returned to me prior to any reference to AGM as insurer of the issue being made in marketing efforts in respect of the issue.

Upon acceptance and satisfaction of the conditions of the Commitment, the following must occur in order for AGM to complete its review of applicable disclosure and financing documents in advance of the closing date, request the assignment of an insured rating for the Bonds, and timely issue its insurance policy:

- The financing schedule and a distribution list should be forwarded to the attention of the Closing Coordinator listed below.
- A copy of (i) the preliminary official statement and the final official statement, each of which shall include the disclosure provided by AGM and the specimen policy and any other references to AGM, and (ii) the Bonds, together with the legend to be affixed to such Bonds, must be delivered to the Closing Coordinator by fax or e-mail in order that AGM may confirm its accuracy.
- Once determined, the underwriters' final pricing numbers, including the final debt service schedule for the Bonds, should be delivered to the credit analyst and Closing Coordinator responsible for the transaction by fax and/or e-mail in order that AGM may confirm the premium to be paid for the insurance policy and request the assignment of an insured rating for the Bonds.
- A copy of either (i) the final pricing wire with CUSIP numbers shown or CUSIP wire evidencing the CUSIP numbers assigned to the Bonds; or (ii) the letter from the CUSIP Service Bureau listing the CUSIP numbers assigned to the Bonds should be delivered to the Closing Coordinator listed below by fax and/or email in order that AGM may request the assignment of an insured rating for the Bonds.

AGM will require, prior to closing, four hard copies of the final official statement. Also, please notify me of a confirmed closing date as soon as it becomes available.

My contact information is as follows:

Telephone: (212) 261-5593
Fax: (212) 581-3268
Email: NDiMarco@assuredguaranty.com

Assured Guaranty Municipal Corp.

31 West 52nd Street
New York, NY 10019

main 1 212 626 6106
fax 1 212 688 3101

info@assuredguaranty.com

www.assuredguaranty.com

Mr. Ken Schmidt
City Securities Corporation
April 24, 2015

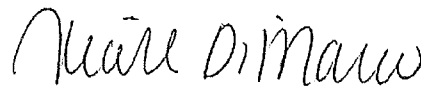
Page 2

Attached as a link to this e-mail is AGM's website, where the logo, statement of insurance, disclosure language, specimen policy, procedures for premium payment, form of opinion and form of disclosure certificate may be accessed and downloaded as needed.

Assuming the requirements of the Commitment have been met, AGM will deliver to Bond Counsel at the pre-closing, a copy of the municipal bond insurance policy of AGM, the executed disclosure, no default and tax certificate and the executed opinion of Counsel and other certificates needed in the transaction via email. The original municipal bond insurance policy will be sent to your attention via overnight mail to be held in escrow until the closing. Any inquiries regarding rating agency fees should be directed to the respective rating agencies. As a post-closing condition, AGM shall receive one original and two copies of the final closing transcript of proceedings. Such closing transcript may be in the form of either hard copies or three CD-ROMs.

AGM looks forward to working with you on this transaction.

Very truly yours,



Nicole DiMarco
Closing Coordinator

Enclosures

ec: Carol Polumbo, Esq.; McCall, Parkhurst & Horton L.L.P.
Angela Stepherson, Esq.; Coats, Rose, Yale, Ryman & Lee, P.C.
Jan Bartholomew; Robert W. Baird & Co.



MUNICIPAL BOND INSURANCE COMMITMENT

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") hereby commits to issue its Municipal Bond Insurance Policy (the "Policy") relating to whole maturities of the debt obligations described in Exhibit A attached hereto (the "Bonds"), subject to the terms and conditions set forth in this Commitment, or added hereto (the "Commitment"). For the avoidance of doubt, each of the Exhibits attached hereto is an integrated part of this Commitment. To keep this Commitment in effect after the Expiration Date set forth in Exhibit A attached hereto, a request for renewal must be submitted to AGM prior to such Expiration Date. AGM reserves the right to refuse wholly or in part to grant a renewal.

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

1. The transaction documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof ("Closing Date").
3. On the date hereof and on the Closing Date, there shall have been no material adverse change in or affecting the Issuer or the Bonds (including, without limitation, the security for the Bonds or the proposed debt service schedule of the Bonds), any disclosure document relating to the Bonds (the "Official Statement"), the financing documents to be executed and delivered with respect to the Bonds, the legal opinions to be executed and delivered in connection with the issuance and sale of the Bonds, or any other information submitted to AGM with respect to the referenced transaction, or the Bonds, from that previously delivered or otherwise communicated to AGM.
4. The Bonds shall contain no reference to AGM, the Policy or the insurance evidenced thereby except as may be approved by AGM. BOND PROOFS SHALL HAVE BEEN APPROVED BY AGM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form provided by AGM.
5. AGM shall be provided with:
 - (a) Executed copies of all financing documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to AGM or accompanied by a letter of such counsel permitting AGM to rely on such opinion as if such opinion were addressed to AGM), including, without limitation, the approving opinion of bond counsel. Each of the foregoing shall be in form and substance acceptable to AGM. Copies of all drafts of such documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to AGM for review and approval. Final drafts of such documents shall be provided to AGM at least three (3) business days prior to the issuance of the Policy, unless AGM shall agree to some shorter period.
 - (b) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to AGM have been made prior to the delivery date of the Bonds.
 - (c) Standard & Poor's Rating Services and Moody's Investors Service Inc. will separately present bills for their respective fees relating to the Bonds. Payment of such bills by the Issuer should be made directly to such rating agency. Payment of the rating fee is not a condition to release of the Policy by AGM.
6. Promptly after the closing of the Bonds, AGM shall receive three completed sets of executed documents (one original and either (i) two photocopies (each unbound) or (ii) two compact discs).
7. The Official Statement shall contain the language provided by AGM and only such other references to AGM or otherwise as AGM shall supply or approve. AGM SHALL BE PROVIDED WITH FOUR PRINTED COPIES OF THE OFFICIAL STATEMENT.

TERM SHEET FOR MUNICIPAL BOND INSURANCE COMMITMENT

Issuer: Brushy Creek Municipal Utility District (A Political Subdivision of the State of Texas, located within Williamson County)

Principal Amount of Bonds Insured: Not to Exceed \$3,530,000

Name of Bonds Insured: Sendero Springs and Cornerstone Defined Area Unlimited Tax Bonds, Series 2015

Date of Commitment: April 24, 2015

Expiration Date: Friday, June 26, 2015*

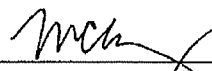
Premium: \$16,000.00

Bond Counsel Opinion -- Language Requirements:

The approving opinion of Bond Counsel shall include language to the effect that the Bonds are a full faith and credit general obligation of the Issuer, the payment for which the Issuer is obligated to exercise its ad valorem taxing power, without legal limitation as to rate or amount, upon all taxable property within the Defined Area of the Issuer.

Additional Conditions: None

ASSURED GUARANTY MUNICIPAL CORP.



Authorized Officer

*To keep the Commitment in effect to the Expiration Date set forth above, AGM must receive a duplicate of this Exhibit A executed by an authorized officer by the earlier of the date on which the Official Statement containing disclosure language about AGM is circulated and ten days from the Date of Commitment.

CITY SECURITIES CORPORATION

Authorized Officer

**PROCEDURES FOR PREMIUM PAYMENT
TO
ASSURED GUARANTY MUNICIPAL CORP.
("AGM")**

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

Confirmation of Amount to be Paid:	Upon determination of the final debt service schedule, fax such schedule to AGM Attention: James Binette, Managing Director Phone No.: (212) 408-6005 Fax No.: (212) 408-6090
---------------------------------------	---

Confirm with AGM's credit analyst that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank:	The Bank of New York
ABA#:	021 000 018
Acct. Name:	Assured Guaranty Municipal Corp.
Account No.:	8900297263
Policy No.:	216800-N

CONFIRMATION OF PREMIUM WIRE NUMBER AT CLOSING

AGM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Nicole DiMarco, Closing Coordinator - (212) 261-5593.

ASSURED GUARANTY MUNICIPAL CORP.

DOCUMENT, PRINTING AND DISCLOSURE INFORMATION FOR PUBLIC FINANCE TRANSACTIONS

(Revised February 26, 2015)

This information is intended for use by Bond Counsel, printers and preparers of municipal bond offerings that will be insured by Assured Guaranty Municipal Corp. ("AGM"). Prior to any reference to AGM in your marketing efforts in respect of an AGM-insured issue, AGM must receive an executed copy of its commitment letter. Blacklined copies of each draft of each financing document, preliminary and final official statements, and bond form should be delivered to AGM for review and comment with reasonable opportunity to submit any comments prior to printing. AGM will deliver to Bond Counsel, at the pre-closing, assuming the requirements of the commitment letter have been met, an opinion of counsel as to the validity of the policy, a disclosure, no default and tax certificate of AGM, the executed policy and other certificates required in the transaction. Prior to closing, AGM will obtain rating letters from the rating agencies indicated on the official statement. Note that any questions with regard to rating agency fees should be directed to the respective rating agency.

INDEX

EXHIBIT NO.

DIRECTORY

Legal Department Directory

OFFICIAL STATEMENT

AGM Disclosure Information 1
(for inclusion in the Official Statement)

Specimen:

- Municipal Bond Insurance Policy (Form 500 NY)

WIRE INSTRUCTIONS

Procedures For Premium Payment 2
(including wire-transfer instructions)

BOND FORM

Statement of Insurance (Language for Bond Form) 3

LEGAL DEPARTMENT DIRECTORY

<u>NAME</u>	<u>TITLE</u>	<u>TELEPHONE</u>	<u>FAX</u>
<u>PUBLIC FINANCE ATTORNEYS</u>			
Lyons, Kevin	Deputy General Counsel	(212) 339-3546	(212) 857-0439
Schreiber, Elliot	Counsel	(212) 339-0869	(212) 857-0518
Torkelson, Eric	Counsel	(212) 408-6057	(212) 581-3268
Tremblay, Peter	Counsel	(212) 261-5564	(212) 857-0316
Woodruff, Natalie	Counsel	(212) 261-5553	(212) 857-0289
Workman, Terence	Counsel	(212) 408-6053	(212) 581-3268
<u>LEGAL ASSISTANTS</u>			
Cain, Stephanie	Legal Assistant/Closing Coordinator	(212) 261-5578	(212) 581-3278
DiMarco, Nicole	Legal Assistant/Closing Coordinator	(212) 261-5593	(212) 581-3278
Paredes-Rebouças, Erika	Legal Assistant/Closing Coordinator	(212) 893-2706	(212) 857-0349
Udit, Audrey	Legal Assistant /Closing Coordinator	(212) 339-3548	(212) 857-0560

ASSURED GUARANTY MUNICIPAL CORP.
("AGM")
DISCLOSURE INFORMATION
(FOR INCLUSION IN THE OFFICIAL STATEMENT)

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

1. Both the preliminary and final official statements must contain the information set forth in these Exhibits and AGM must be provided with final drafts for its approval and sign off thereon at least two business days prior to the printing thereof;
2. Any changes made to the AGM Disclosure Information for inclusion in the preliminary and final official statements must first be approved by AGM, and
3. AGM must receive 4 final official statements upon printing.

TO BE PRINTED ON THE COVER OF THE OFFICIAL STATEMENT:

The following language should be used when insuring:

1. THE ENTIRE ISSUE:

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

2. CAPITAL APPRECIATION BONDS:

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

The scheduled payment of principal of and interest on the Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

4. CERTIFICATES OR NOTES:

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

**PRINTER'S NOTE: USE ASSURED GUARANTY MUNICIPAL CORP.
LOGO AND INK #PMS 202 FOR RED INK and INK #PMS 647 FOR BLUE INK.
IF THIS DOCUMENT WAS MAILED IN HARDCOPY, A LOGO SHEET IS ATTACHED.
OTHERWISE, THE LOGO MAY BE REQUESTED FROM AGM'S WEBSITE
ASSUREDGUARANTY.COM/LOGOS**

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

USE THE FOLLOWING LANGUAGE WHEN INSURING THE ENTIRE ISSUE:

NOTE: The language under the subheading "Bond Insurance Policy" should be modified when insuring Capital Appreciation Bonds, Partial Maturities (less than the entire issue), Certificates and/or Notes. See page 4 of Exhibit 1 for the appropriate language.

BOND INSURANCE

BOND INSURANCE POLICY

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

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). In February 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At December 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately \$3,763 million and its net unearned premium reserve was approximately \$1,769 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility

for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

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

1. **CAPITAL APPRECIATION BONDS:**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

3. **CERTIFICATES OR NOTES:**

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Exhibit ___ - Specimen Municipal Bond Insurance Policy".

**PROCEDURES FOR PREMIUM PAYMENT
TO
ASSURED GUARANTY MUNICIPAL CORP.
("AGM")**

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

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

Upon determination of the final debt service schedule, fax such schedule to the appropriate AGM Analyst, Attention: MUNICIPAL DEPARTMENT:

NEW YORK OFFICE

Phone No. (212) 974-0100
Fax No. (212) 339-3450

CALIFORNIA OFFICE

Phone No. (415) 995-8000
Fax No. (415) 995-8008

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

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank: The Bank of New York
ABA#: 021 000 018
Acct. Name: Assured Guaranty Municipal Corp.
Account No.: 8900297263
Policy No.: [To Be Assigned]

CONFIRMATION OF PREMIUM

AGM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated to the appropriate Legal Assistant on the closing date:

NEW YORK OFFICE

Stephanie Cain	(212) 261-5578
Nicole DiMarco	(212) 261-5593
Erika Paredes-Rebouças	(212) 893-2706
Audrey Udit	(212) 339-3548

STATEMENT OF INSURANCE
(Language for the Bond Form)
This form is not to be included in the Official Statement.

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

The following language should be used when insuring

1. THE ENTIRE ISSUE:

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to **{insert name of paying agent}, {city or county}, {state}**, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

2. CAPITAL APPRECIATION BONDS:

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") in respect of the scheduled payments due of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on this Bond to **{insert name of paying agent}, {city or county}, {state}**, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"), to **{insert name of paying agent}, {city or county}, {state}**, or its successor, as paying agent for the Insured Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the

provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

4. **CERTIFICATES OR NOTES:**

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