OFFICIAL NOTICE OF SALE

$30,000,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

Bids Due: Thursday, September 24, 2026 at 10:00 AM, CDT
Award Expected: 6:00 PM, CDT

The Bonds are special limited obligations of Brushy Creek Municipal Utility District (the "District") secured solely from and secured by a lien on and pledge of by the Net Revenues of the District's System as further defined and described in the Preliminary Official Statement, are not obligations of the City of Round Rock, Texas, Williamson County, Texas, the State of Texas, or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED IN THE PRELIMINARY OFFICIAL STATEMENT.

THE SALE

BONDS OFFERED FOR SALE BY COMPETITIVE BIDDING: The Board of Directors (the "Board") of the District is inviting competitive bids for the purchase of $30,000,000 Utility System Revenue Bonds, Series 2026 (the "Bonds"). Sealed bids may be submitted by either of two alternative procedures: (1) written bids; or (2) electronic bids. Prospective bidders may select one of the two alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

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

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

PROCEDURE NUMBER 1: Sealed, Written Bids Delivered in Person: Bids, plainly marked "Bid for Bonds," should be addressed to "President and Board of Directors, Brushy Creek Municipal Utility District," and should be delivered to the District's Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas, by 10:00 AM, CDT, on September 24, 2026 ("the date of the bid opening").

PROCEDURE NUMBER 2: Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:00 AM, CDT, on the date of the bid opening.

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 404-8102.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to either bidding system.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale and Official Bid Form. 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.

For information purposes only, bidders are requested to state in their electronic bids the net effective interest cost to the District, as described under "CONDITIONS OF THE SALE – Basis of Award" below.

The District and Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

WINNING BIDDER: The bidder whose bid is the winning bid in accordance with this Notice of Sale (the "Purchaser" or "Initial Purchaser") will be notified immediately and must submit a Signed Official Bid Form in connection with the sale, by 10:30 AM, CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc., monica@spfmuni.com.

<u>Place and Time of Bid Opening</u>: The Board will award the sale of the Bonds at the District's offices at 16318 Great Oaks Drive, Round Rock, Texas, at a meeting that begins at 6:00 PM, CDT, on Thursday, September 24, 2026. All bids, including those being hand delivered, must be received by 10:00 AM CDT, on Thursday, September 24, 2026, at Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened.

<u>Award of the Bonds</u>: The District will take action to award the Bonds or reject any or all bids. Upon awarding the Bonds to the winning bidder, the Board will adopt a resolution authorizing the issuance of the Bonds (the "Bond Resolution"). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution, to which Bond Resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

<u>Withdrawal of the Bids</u>: Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

<u>Extension of Sale Date</u>: The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT, on Wednesday, September 23, 2026, of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

<u>Municipal Bond Rating</u>: The Bonds have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement.

THE BONDS

<u>Description of the Bonds</u>: The Bonds will be dated October 15, 2026 (the "Dated Date"), and interest will accrue from the date of initial delivery, will be payable on June 1, 2027 and on each December 1 and June 1 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360 day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity, and principal and interest will be paid by Computershare Trust Company, N.A. St. Paul, Minnesota (the "Paying Agent/Registrar") which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See the Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on June 1 in the years and amounts as follows:

MATURITY SCHEDULE

Year	Principal Amount	Year	Principal Amount
2029	$ 495,000	2043	$ 1,010,000
2030	520,000	2044	1,065,000
2031	545,000	2045	1,120,000
2032	575,000	2046	1,180,000
2033	605,000	2047	1,240,000
2034	640,000	2048	1,305,000
2035	670,000	2049	1,375,000
2036	705,000	2050	1,445,000
2037	745,000	2051	1,520,000
2038	785,000	2052	1,600,000
2039	825,000	2053	1,685,000
2040	865,000	2054	1,775,000
2041	910,000	2055	1,870,000
2042	960,000	2056	1,965,000

<u>Optional Redemption Provisions</u>: The Bonds maturing on and after June 1, 2032, are subject to redemption prior to maturity, at the option of the District, as a whole or, from time to time in part in multiples of $5,000, on June 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed, and any sinking fund installments in the case of Term Bonds, defined below, shall be selected by the District.

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

Other Terms and Covenants: Other terms of the Bonds and various covenants of the District are contained in the Bond Resolution, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

Source and Security of Payment: The Bonds will constitute valid and legally binding special limited obligations of the District, with principal and interest payable solely from and secured by a lien on and pledge of the Net Revenues of the District's System. The Bonds are special limited obligations solely of the District and are not obligations of the City of Round Rock, Texas, Williamson County, Texas, the State of Texas, or any entity other than the District.

Book-Entry-Only System: The District intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement.

CONDITIONS OF THE SALE

Types of Bids and Interest Rates: The Bonds will be sold in one block on an "all or none" basis at a price of not less than ninety-seven percent (97%) of the par value. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5%. For Bonds having stated maturities on and after June 1, 2032, no reoffering yield producing a dollar price less than 95% for any individual maturities will be accepted. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. No bid generating a cash premium greater than $5,000 will be considered.

Post Bid Modification of Principal Amounts Per Maturity: After selecting the winning bid, the aggregate principal amount of the Bonds per maturity and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds and will not change the aggregate principal amount per maturity by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds per maturity finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustments within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any maturity adjustments thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount per maturity of the par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustments of the aggregate principal amount of the Bonds per maturity and/or of the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to conditions herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

Basis of Award: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date of initial delivery (as described below) to their respective maturities and adding thereto any discount bid, if any, or subtracting therefrom any premium bid, if any. The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing. Subject to such rights, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District. In the event there are mathematical discrepancies between the interest rate or rates and the interest costs determined therefrom, as both appear on the Official Bid Form, the bid will be solely governed by the interest rates shown on the Official Bid Form.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the District with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

Establishing the Issue Price for the Bonds: The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the District receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's financial advisor, (the "District's Financial Advisor") a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect accompanying this Notice of Sale, within 5 business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,

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

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the District to the winning bidder.

All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor, and any notice or report to be provided to the District may be provided to the District's Financial Advisor. The District will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295"): In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Bond of Interested Parties Form 1295 (the "TEC Form 1295") to the District as prescribed by the Texas Ethics Commission ("TEC"), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through the District's financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*Brushy Creek MUD*) and box 3 is the identification number assigned to this contract by the District (*Brushy Creek MUD W&S 2026*) and description of the goods or services (*Purchase of the Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the District to complete the TEC Form 1295 electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the District. The completed and signed TEC Form 1295 must be sent by email, to the District's financial advisor at garry@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: jhale@mphlegal.com.**

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the District, the Interested Party Disclosure Act and the TEC Form 1295 provide that such declaration is made "under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed TEC Form 1295 is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Brushy Creek Municipal Utility District," in the amount of $600,000 which is 2% of the proposed par value of the Bonds (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Initial Purchaser will be retained uncashed by the District pending the Initial Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Initial Purchaser should fail or refuse to accept and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the District and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the District that the Initial Purchaser was found not to satisfy the requirements described under "Verifications Of Statutory Representations and Covenants" and as a result the Attorney General of Texas will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the District but shall not be the sole or exclusive remedy available to the District. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, 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 a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser on the date of initial delivery of the Bonds.** No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made by the District.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS: The District will not award the Bonds to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the Official Bid Form and Official Notice of Sale (collectively, the "Agreement") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Agreement, notwithstanding anything in the Agreement to the contrary.

(i) **No Boycott of Israel (Texas Government Code, Chapter 2271):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) **Not a Sanctioned Company (Texas Government Code, Chapter 2252):** A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) **No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code, Chapter 2274):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(iv) **No Boycott of Energy Companies (Texas Government Code, Chapter 2276):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT: Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated June 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the District that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The District will not accept a bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the District, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the Delivery Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE DISTRICT RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR TEXAS ATTORNEY GENERAL OR HAS RECEIVED A LETTER OR OTHER INQUIRY FROM A POLITICAL SUBDIVISION, THE TEXAS COMPTROLLER, OR TEXAS ATTORNEY GENERAL RELATED TO ITS INCLUSION ON ANY LIST OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE DISTRICT AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THE AGREEMENT. ADDITIONALLY, THE DISTRICT RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY AND ACCOMPANYING DOCUMENTS

Initial Delivery of Initial Bond: Initial delivery of the Bonds ("Initial Delivery") will be accomplished by the issuance of one initial bond payable in installments (collectively, the "Initial Bond"), either in typed or printed form, in the aggregate principal amount of $30,000,000, registered in the name of the Purchaser, manually signed by the President and Secretary of the Board or the District Secretary, or executed by the facsimile signatures of the President and Secretary of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or its authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. in connection with DTC's book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in St. Paul, Minnesota. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The 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 October 15, 2026, and subject to the aforementioned notice it is understood and agreed that the Purchaser will accept delivery of and make payment for the Bonds by 10:00 AM, CDT, on October 15, 2026, or thereafter on the date the Bonds are tendered for delivery, up to and including October 29, 2026. If for any reason the District is unable to make delivery on or before October 29, 2026, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty (30) days. If the Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation.

DTC Definitive Bonds: The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co. as the nominee for DTC. All reference herein and in the Official Statement to the bondholders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of $5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type 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 Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the District.

Conditions to Delivery: The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel for the District ("Bond Counsel"), and the no-litigation certificate, all described below, and the non-occurrence of the events described below under "No Material Adverse Change." In addition, if the District fails to comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

Legal Opinion: The District will furnish the Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable solely from and secured by a lien on an pledge of the Net Revenues of the System. The District also will furnish the legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that, based upon an examination of such transcript, (1) the Bonds are valid and legally 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, (2) the Bonds are payable from Net Revenues of the District's System, (3) pursuant to the Internal Revenue Code of 1986, (the "Code") then in effect and existing regulations, published rulings, and court decisions thereunder and assuming continuing compliance by the District with the provisions of the Bond Resolution, the interest on the Bonds is excludable from the gross income, and will not be treated as "specified private activity bonds" the interest on which would be included as alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986. See "APPENDIX C – Form of Bond Counsel Opinion." The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. Neither the opinion of the Attorney General nor the opinion of Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

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

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and deliver to the Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the best knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

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

GENERAL CONSIDERATIONS

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

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

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form, collectively.

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

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 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 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 Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described above. See "DELIVERY AND ACCOMPANYING DOCUMENTS." The obligation of the District to update or change the Official Statement will terminate as discussed above, unless the Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

DELIVERY OF OFFICIAL STATEMENTS: The District will furnish Official Statements to the Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of the Rule, designated by the Purchaser), within seven (7) business days after the sale date. The District will also furnish to the Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Purchaser may reasonably request as described above in "– Changes to Official Statement" above.

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

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

ADDITIONAL COPIES OF DOCUMENTS: Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

____
President, Board of Directors
Brushy Creek Municipal Utility District

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS SEPTEMBER 15, 2026.

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OFFICIAL BID FORM

President and Board of Directors
Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681

Board Members:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated September 15, 2026, relating to the Brushy Creek Municipal Utility District (the "District") $30,000,000 Utility System Revenue Bonds, Series 2026 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment considerations, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of $30,000,000, we will pay you a price of $____________________________, representing approximately ____________% of the par value. Such Bonds mature June 1, in each of the years and in the amounts and interest rates shown below:

Maturity June 1	Principal Amount	Interest Rate	Maturity June 1	Principal Amount	Interest Rate
2029	$ 495,000	%	2043	$ 1,010,000	%
2030	520,000	%	2044	1,065,000	%
2031	545,000	%	2045	1,120,000	%
2032	575,000	%	2046	1,180,000	%
2033	605,000	%	2047	1,240,000	%
2034	640,000	%	2048	1,305,000	%
2035	670,000	%	2049	1,375,000	%
2036	705,000	%	2050	1,445,000	%
2037	745,000	%	2051	1,520,000	%
2038	785,000	%	2052	1,600,000	%
2039	825,000	%	2053	1,685,000	%
2040	865,000	%	2054	1,775,000	%
2041	910,000	%	2055	1,870,000	%
2042	960,000	%	2056	1,965,000	%

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

Term Bond Maturing June 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%

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

TOTAL INTEREST COST FROM 10/15/2026	$________________________
PLUS DOLLAR AMOUNT OF DISCOUNT	$________________________
NET INTEREST COST	$________________________
NET EFFECTIVE INTEREST RATE	________________________%

The Initial Bond shall be registered in the name of __________________________ (Purchaser/syndicate manager). We will advise Computershare Trust Company, N.A. St. Paul, Minnesota, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

A wire transfer or a cashiers or certified check to the District in the amount of $600,000 will be made available in accordance with the Official Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Official Notice of Sale, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

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

We understand the sale of the Bonds has not been registered under the United States Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

If the undersigned is not exempt from filing the Form 1295, then upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Form 1295 through the TEC's electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the District's Bond Counsel at jhale@mphlegal.com. The undersigned understands that the failure to provide the certified Form 1295 will prohibit the District from awarding the enclosed bid.

The bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Official Bid Form. As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or Notice of Sale (collectively, the "Agreement"), notwithstanding anything in the Agreement to the contrary.

(i) Not a Sanctioned Company (Government Code, Chapter 2252). The Initial Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(ii) No Boycott of Israel Verification (Government Code, Chapter 2271). The Initial Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(iii) No Discrimination Against Firearm Entities or Firearm Trade Associations (Government Code, Chapter 2274). The Initial Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(iv) No Boycott of Energy Companies (Government Code, Chapter 2276). The Initial Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

By submitting this bid, the Initial Purchaser understands and agrees that, if the Initial Purchaser should fail or refuse to accept and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the District that the Initial Purchaser was found not to satisfy the requirements described in the Official Notice of Sale under the heading "CONDITIONS OF SALE" and as a result the Attorney General of Texas will not deliver its approving opinion of the Bonds, then the check submitted herewith as the Initial Purchaser's Good Faith Deposit shall be cashed and accepted by the District. IF THE DISTRICT CASHES THE INITIAL PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the “Covered Verifications”) shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Agreement. Additionally, the Purchaser acknowledges and agrees that the District reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the “All Bond Counsel Letter”). In submitting this bid, the Purchaser represents to the District that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Delivery Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Purchaser acknowledges that the District, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or has received a letter or other inquiry from a political subdivision, the Texas Comptroller, or the Attorney General of Texas related to its inclusion on any list of financial companies boycotting energy companies or discriminating against firearm entities.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see “CONDITIONS OF THE SALE – Good Faith Deposit” in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THE AGREEMENT SHALL SURVIVE TERMINATION OF THE AGREEMENT OF THE PURCHASER TO PURCHASE THE BONDS UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned certifies that it [is]/[is not] exempt from filing the Texas Ethics Commission (the “TEC”) Certificate of Interested Parties Form 1295 (the “Form 1295”) by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

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

Respectfully submitted,

____
Name of Purchaser or Syndicate Manager

____
Authorized Representative

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Brushy Creek Municipal Utility District this the 24th day of September, 2026.

ATTEST:

________________________________	________________________________
Secretary, Board of Directors Brushy Creek Municipal Utility District	President, Board of Directors Brushy Creek Municipal Utility District

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ISSUE PRICE CERTIFICATE

(sales where 3 bids are received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Utility System Revenue Bonds, Series 2026 issued by the Brushy Creek Municipal Utility District ("Issuer") in the aggregate principal amount of $30,000,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Bond as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that were not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net 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 and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. 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 has not been earned.

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

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

EXECUTED and DELIVERED as of this _______________, 2026.

_______________________________, as Purchaser

By:_____________________________________

Name:___________________________________

ISSUE PRICE CERTIFICATE

(sales where 3 bids are not received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Utility System Revenue Bonds, Series 2026 issued by the Brushy Creek Municipal Utility District ("Issuer") in the aggregate principal amount of $30,000,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) Other than the Bonds maturing in _____________ ("Hold-the-Price Maturities"), if any, the first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold on the sale date to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices (the "Initial Offering Prices"), as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each Hold-the-Price Maturity at their respective Initial Offering Prices, as set forth in Schedule A hereto.

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells a substantial amount of a Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _________________________________ (the "Insurer") for a fee of $_______ (net 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 and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. 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 has not been earned.

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

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

EXECUTED and DELIVERED as of this _______________, 2026.

_______________________________, as Purchaser

By:_____________________________________

Name:______________________________________

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(*Attached*)

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

PRELIMINARY OFFICIAL STATEMENT
Dated September 15, 2026

Rating:
S&P: "AA"
See ("OTHER INFORMATION – Rating" herein)

NEW ISSUE – Book-Entry-Only

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

$30,000,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

Dated Date: October 15, 2026 **Due: June 1, as shown on the inside cover page**
Interest to Accrue from the Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . Interest on the $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, and will be payable June 1, 2027, and each December 1 and June 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. 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 owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Computershare Trust Company, N.A. St. Paul, Minnesota (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to an Order of the Texas Commission on Environmental Quality, a "Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program" adopted by the Board of Directors (the "Board") of the Brushy Creek Municipal Utility District (the "District") on December 10, 2015 (the "Master Resolution"); a "Second Supplemental Resolution to the Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program Authorizing the Issuance of $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026" to be adopted by the Board on September 24, 2026 (the "Second Supplement" and together with the Master Resolution, the "Bond Resolution"), Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. The Bonds, together with the District's outstanding parity debt secured by a lien on and pledge of the Security (the "Outstanding Parity Debt"), and any additional parity obligations (the "Additional Bonds") that may be issued from time to time in accordance with the Bond Resolution (collectively, the "Parity Debt") are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District's utility system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds, the Outstanding Parity Debt and Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Parity Debt and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Parity Debt (see "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS – Authority for Issuance" and "SECURITY FOR THE BONDS").

PURPOSE . . . Proceeds of the Bonds will be used to finance (i) water and wastewater rehabilitation and replacement improvements within the District's service area (as more specifically described herein), and (ii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

CUSIP PREFIX: ___________
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered by the District subject to prior sale, when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . The Bonds are expected to be available for delivery through the facilities of DTC on October 15, 2026 (the "Date of Initial Delivery").

BIDS DUE THURSDAY, SEPTEMBER 24, 2026, BY 10:00 AM, CDT

MATURITY SCHEDULE

6/1 Maturity	Principal Amount	Interest Rate	Initial Yield[(a)]	CUSIP Numbers[(b)]
2029	$ 495,000			
2030	520,000			
2031	545,000			
2032	575,000			
2033	605,000			
2034	640,000			
2035	670,000			
2036	705,000			
2037	745,000			
2038	785,000			
2039	825,000			
2040	865,000			
2041	910,000			
2042	960,000			
2043	1,010,000			
2044	1,065,000			
2045	1,120,000			
2046	1,180,000			
2047	1,240,000			
2048	1,305,000			
2049	1,375,000			
2050	1,445,000			
2051	1,520,000			
2052	1,600,000			
2053	1,685,000			
2054	1,775,000			
2055	1,870,000			
2056	1,965,000			

(Interest to Accrue from the Date of Initial Delivery)

(a) The initial yields are established by and are the sole responsibility of the Purchaser and may subsequently be changed.
(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Initial Purchaser, the District, or the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after June 1, 2032, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized Public Finance Inc., the District's financial advisor (the "Financial Advisor"), 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, 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 other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Purchaser and thereafter only as specified in "OTHER INFORMATION – Updating the Official Statement During Underwriting Period."

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

SALE AND DISTRIBUTION OF THE BONDS

THE PRICES AND OTHER TERMS WITH RESPECT TO THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE 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 PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. The District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser.

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 bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

NEITHER THE SEC NOR ANY STATE COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT............................. Brushy Creek Municipal Utility District was originally created as Williamson County Municipal Utility District No. 2, is located in Williamson County, Texas. The District is a political subdivision of the State of Texas (the "District") created by an order dated October 27, 1977 by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. On August 31, 1990, the Commission approved a name change to Brushy Creek Municipal Utility District. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,273.06 acres within its boundaries, all of which lie within Williamson County, Texas.

LOCATION................................... The District is located approximately 1.5 miles west of the City of Round Rock, Texas ("Round Rock" or the "City"), and approximately 19 miles north of the City of Austin, Texas. Approximately 416.683 acres within the District are part of the Sendero Springs and Cornerstone Defined Area, referred to herein as the "Defined Area." The District lies entirely within the extraterritorial jurisdiction of Round Rock and within the boundaries of Williamson County and Round Rock Independent School District. See "THE DISTRICT."

THE BONDS................................. The $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026 (the "Bonds") are being issued as serial Bonds maturing on June 1 in the years 2029 through and including 2056 unless the Purchaser elects to aggregate two or more consecutive maturities as Term Bonds (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Initial Delivery (expected on October 15, 2026) and is payable June 1, 2027, and each December 1 and June 1 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to a "Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program" adopted by the Board of Directors (the "Board") of the District on December 10, 2015 (the "Master Resolution"); a "Second Supplemental Resolution to the Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program Authorizing the Issuance of $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026" to be adopted by the Board on September 24, 2026 (the "Second Supplement" and together with the Master Resolution, the "Bond Resolution"), an order of the TCEQ, Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended (see "THE BONDS – Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute special obligations of the District, and, together with the District's outstanding parity debt secured by a lien on and pledge of the Security (collectively the "Outstanding Parity Debt") and any additional parity obligations (the "Additional Bonds") that may be issued from time to time in accordance with the Bond Resolution (collectively, the "Parity Debt"), are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District's utility system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds, the Outstanding Parity Debt, and any Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Parity Debt and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Parity Debt (see "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "SECURITY FOR THE BONDS").

REDEMPTION .... The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after June 1, 2032, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser aggregate two or more consecutive maturities as Term Bonds.

TAX EXEMPTION.......................... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS .... Proceeds of the Bonds will be used to finance (i) water and wastewater rehabilitation and replacement improvements within the District's service area (as more specifically described herein), and (ii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

RATING....................................... The Bonds have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement (see "OTHER INFORMATION – Rating").

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, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – Book-Entry-Only System").

PAYMENT RECORD .... The District has never defaulted on the timely payment of the principal of or interest on its previously issued obligations.

STATUS OF DEVELOPMENT .... Development of lands within the District is complete. Approximately 2,273.06 acres have been developed as various subdivisions that include single-family residential, multi-family residential, commercial, and retail properties. Improvements within the single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction. Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools and three churches all of which are exempt from property taxes. In addition, the District contains approximately 200 acres of parks, greenbelts, floodplain, and reserves. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land.

INVESTMENT CONSIDERATIONS... THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Title	Occupation	Term Expires
Michael Tucker	President	Medical Research Executive/Veteran	2028
Kim Filiatrault	Vice President	Business Owner	2026
Ken Reifschlager	Secretary	I&C Systems Engineer	2026
Rebecca Boatright Tullos	Treasurer	Certified Public Accountant	2026
Tracey Calloway	Assistant Secretary	Real Estate Investor/Business Owner	2028

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Shean Dalton	General Manager	6 Years
Monica Henderson	Finance Manager	1½ Years
Amy Giannini	District Engineer	4 Years

CONSULTANTS AND ADVISORS

Auditors .... Maxwell Locke & Ritter LLP
Austin, Texas

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

Financial Advisor........ Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the District, please contact:

Shean Dalton
General Manager
Brushy Creek Municipal Utility District
16318 Great Oaks Drive
Round Rock, Texas 78681
(512) 255-7871
www.bcmud.org

or

Garry Kimball
Managing Director
Specialized Public Finance Inc.
248 Addie Roy Road
Suite B-103
Austin, Texas 78746
(512) 275-7300
www.spfmuni.com

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
$30,000,000
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

INTRODUCTION

GENERAL . . . This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026. The Bonds are issued pursuant to a "Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program" adopted by the Board of Directors (the "Board") of the Brushy Creek Municipal Utility District (the "District") on December 10, 2015 (the "Master Resolution"); a "Second Supplemental Resolution to the Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program Authorizing the Issuance of $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026" to be adopted by the Board on September 24, 2026 (the "Second Supplement" and together with the Master Resolution, the "Bond Resolution"), an order of the Texas Commission on Environmental Quality (the "TCEQ"), Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the Bond Resolution (see "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

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

DESCRIPTION OF THE DISTRICT . . . The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the TCEQ, adopted on October 27, 1977 and a confirmation election held within the District on January 21, 1978. The District is a political subdivision of Texas with the rights, powers, privileges, and authority established by the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code. The District is subject to the continuing supervision of the TCEQ. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock and entirely within Williamson County.

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 issues bonds and other forms of indebtedness to purchase or construct such facilities. The District provides water, wastewater and drainage service to residents of the District and certain out-of-District customers.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, wastewater and storm drainage system is subject to the regulatory jurisdiction of federal and state governmental agencies.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 15, 2026, and mature on June 1 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the Date of Initial Delivery and will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on June 1, 2027, and each December 1 and June 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein (the "Book-Entry-Only System"). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Bond Resolution, Article 16, Section 59 of the Texas Constitution, general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the TCEQ.

REDEMPTION . . . *Optional Redemption.* The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities, and sinking fund installment in the case of Term Bonds, to be redeemed. If less than all the Bonds of any maturity, or sinking fund installments in the case of Term Bonds, are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other customary random method the Bonds, or portions thereof, within such maturity, or sinking fund installment in the case of Term Bonds, to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. 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 AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution 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/Registrar prior to the giving of such notice of optional 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/Registrar on or prior to the date fixed for such optional redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of optional 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/Registrar will give notice in the manner in which the notice of optional redemption was given, to the effect that such Bonds have not been redeemed.

DTC REDEMPTION PROVISION . . . The Paying Agent/Registrar and the District, so long as a book-entry-only is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of 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. 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 the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payment on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of Bonds for redemption.

DEFEASANCE . . . *General.* The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of Net Revenues and all other general defeasance covenants in the Bond Resolution 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 Resolution, 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 Net Revenues of the System pledged as provided in the Bond Resolution and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable 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 Resolution. 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 amounts and at the times set forth in the Bond Resolution 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 remitted to the Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Resolution 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 Resolution.

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 Resolution 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 Bond Resolution 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 District.

For the purposes of these provisions, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (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.

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

AMENDMENTS TO THE MASTER RESOLUTION AND SECOND SUPPLEMENT . . . In the Master Resolution and the Second Supplement, the District has reserved the right to amend each without the consent of any owners for the purpose of amending or supplementing such Master Resolution and the Second Supplement to (1) add to the covenants and agreements of the District contained in the Master Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District in the Master Resolution or Second Supplement; (2) cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Master Resolution or Second Supplement, upon receipt by the District of an approving opinion of counsel, that the same is needed for such purpose, and will more clearly express the intent of the Master Resolution or Second Supplement; (3) supplement the Security for the Outstanding Parity Debt in accordance with State law; (4) make such other changes in the provisions hereof as the District may deem necessary or desirable and which shall not, in the judgment of the District, materially adversely affect the interests of the owners of Outstanding Parity Debt; (5) make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or (6) make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the owners of the Outstanding Party Debt.

The Master Resolution further provides that the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment not described above to the Master Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the owners in original principal amount of the then Outstanding Parity Debt no amendment may be made so as to: (1) grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or (2) materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or (3) change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or (4) make any change in the maturity of any Outstanding Parity Debt; or (5) reduce the rate of interest borne by any Outstanding Parity Debt; or (6) reduce the amount of the principal payable on any Outstanding Parity Debt; or (7) modify the terms of payment of the amounts required to meet any financial obligations of the District relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or (8) amend Section 13(b) of the Master Resolution.

The Second Supplement further provides that the owners of Outstanding Bonds issued pursuant to the Second Supplement aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment to the Second Supplement not described above if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the owners in original principal amount of the then Outstanding Bonds no amendment may be made so as to: (1) make any change in the maturity of any 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, or redemption premium, if any, payable on any outstanding Bonds; (4) modify the terms of payment of principal of or interest on outstanding Bonds, or impose any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Master Resolution and the Second Supplement for further provisions relating to the amendment thereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM . . . In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Computershare Trust Company, N.A. St. Paul, Minnesota. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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 Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by 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 business days after the receipt of the Bonds to be canceled, 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 Paying Agent/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 designated amount as the Bonds surrendered for exchange or transfer. See “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 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.

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs included herein were compiled by Baxter & Woodman, Inc., the District's engineer (the "Engineer"), and Jones-Heroy & Associates, Inc., the District's bond and regulatory consultant engineer, and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

				COST PAID BY DISTRICT
I.	**CONSTRUCTION COSTS:**			
	A.	Developer Contribution Items – None		
	B.	District Items:		
		1.	Field Operations Site and Building Permits	$ 6,600,000
		2.	Backwash Recovery Basins Gravity Drainage Optimization	2,200,833
		3.	Process Pumps and Compressor Replacements	350,000
		4.	BC North Sanitary Sewer Capacity	1,435,163
		5.	Residential Meter Replacements	1,166,667
		6.	Elevated Storage Tank Upgrades	607,605
		7.	Membrane Filtration System Expansion	845,833
		8.	BCWF HVAC Replacement	593,067
		9.	Winterization and Electrical Improvements	692,195
		10.	Administration Office Remodel and Furnishings	430,985
		11.	High Service Pump Station Improvements	520,000
		12.	Wastewater Line Repairs – CH LS to LW	353,426
		13.	Advanced Meter Infrastructure (AMI)	435,000
		14.	Liberty Walk Lift Station – Rehab	416,667
		15.	Membrane Replacement – Train #2	395,833
		16.	Membrane Replacement – Train #4	375,000
		17.	BCWF Electrical Controls Rehabilitation	1,820,000
		18.	Valve/Actuator Replacement	333,333
		19.	Highland Horizon I and II Lift Station Upgrades	297,500
		20.	Replace Liner in Raw Water Pond	291,667
		21.	Emergency Interconnect BCWF w/RR	284,987
		22.	Woods Lift Station Upgrades	212,500
		23.	Manhole Rehabilitation (along 620)	208,333
		24.	Primary Raw Water Intake Facility Improvements	200,000
		25.	WTF Sitewide Security Improvements	166,667
		26.	Membrane System, Chemical Feed and Pressure Optimization	152,500
		27.	Clear Well #1 and #2 Upgrades	130,000
		28.	Backhoe Replacement	125,000
		29.	Outdoor Chemical Storage and Feed Room Upgrades	73,333
		30.	Clean-in-Place System Upgrades	52,500
		31.	Wellsite Upgrades	39,167
		32.	Process Building Door Replacement	26,667
		33.	Potable Water Service Extension at Intake	25,000
		34.	Water Facility Sludge Mixing	16,667
		35.	Engineering and Testing (10% of Items 1-44)	2,183,399
		36.	Contingency (19% of Items 1-44)	4,055,268
		Total District Contribution Items		**$ 28,112,761**
	TOTAL CONSTRUCTION COSTS (93.71% of BIR)			**$ 28,112,761**
II.	**NON-CONSTRUCTION COSTS**			
	A.	Legal Fees		$ 300,000
	B.	Fiscal Agent Fees		525,000
	C.	Bond Discount (3.00%)		900,000
	D.	Bond Issuance Expenses		32,739
	E.	Bond Application Report Costs		45,000
	F.	Attorney General Fees (0.10%)		9,500
	G.	TCEQ Fee (0.25% of BIR)		75,000
	H.	Contingency[(a)]		0
		Total Non-Construction Costs		**$ 1,887,239**
TOTAL BOND ISSUE REQUIREMENT				**$ 30,000,000**

(a) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to TCEQ rules on use of surplus Bond funds.

SECURITY FOR THE BONDS

The following summary of the provisions of the Bond Resolution that describe the security for the Bonds is qualified by reference to the Bond Resolution, excerpts of which are included herein under the heading "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT."

NET REVENUES . . . The District has pledged the Net Revenues to secure the payment of the Bonds, the Outstanding Parity Debt shown below, and has reserved the right, subject to certain conditions, to pledge the Net Revenues to secure additional parity obligations ("Additional Bonds") from time to time in the future (see "SECURITY FOR THE BONDS – Issuance of Additional Bonds"). The Master Resolution defines "Net Revenues" as all Gross Revenues remaining after deducting the Maintenance and Operating Expenses. The Master Resolution defined "Gross Revenues" as all revenues, income and receipts of every nature derived or received by the District from the operation and ownership of the Utility System including the interest income from investment or deposit of money in any account or subaccount created by the Master Resolution or maintained by the District in connection with the Utility System (Except any account or subaccount not pledged as Security under the Master Resolution or any Supplement) and any other revenues pledged to the payment of all Parity Debt, and defines "Maintenance and Operating Expenses" as the reasonable and necessary expenses of operation and maintenance of the Utility System as required by State law including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Chief Financial Officer, are necessary to keep the Utility System in operation and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Debt), and all payments under contracts now or hereafter defined as operating expenses by State law. Depreciation and payments into and out of funds for the Outstanding Parity Debt, the Bonds and the Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to pay principal of or interest on the Parity Debt (as defined below) and covenants to maintain an amount equal to average annual debt service requirements on the Parity Debt (see "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation**.

The District's Outstanding Parity Debt secured by and payable from Net Revenues on parity with the Bonds are as follows:

Dated Date	Outstanding Amount	Issue Description
01/01/2016	$ 2,135,000	Utility System Revenue Notes, Series 2016 (the "Series 2016 Notes")

The Series 2016 Notes are referred to hereinafter as the "Outstanding Parity Debt." The "Parity Debt" means, collectively, the Bonds, the Outstanding Parity Debt, and any Additional Bonds.

RESERVE FUND . . . In the Bond Resolution, the District has provided for the funding of a Reserve Fund to be held at a depository of the District, solely for the payment of principal and interest on the Parity Debt. Following the issuance of the Bonds, the District will have on deposit $_________, representing the average annual debt service on the Outstanding Parity Debt and the Bonds. In connection with the issuance of any Additional Bonds or any draw on the Reserve Fund, the District has agreed in the Bond Resolution to make monthly deposits into the Bond Reserve Fund over a period of 60 months in amounts sufficient to meet the Required Reserve Amount, calculated from time to time as the average annual debt service on the Parity Debt.

RATE COVENANT . . . In the Bond Resolution, the District has covenanted to establish and maintain rates and charges for facilities and services afforded by the Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient (1) to pay Maintenance and Operating Expenses; (2) to produce Pledged Revenues in amounts sufficient to enable the District to make the deposits and credits, if any, from Pledged Revenues to the accounts and subaccounts required by the Master Resolution and any Supplement including to meet all financial obligation for Parity Debt and to fund or replenish any reserve account required by a Supplement, including the payment of any Reserve Account Obligation then due; (3) to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the District expects will be utilized to pay all or part of the principal of and/or interest on any obligations) sufficient to meet all financial obligations for Subordinated Debt issued by the District; and (4) to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Security.

ISSUANCE OF ADDITIONAL BONDS . . . The District expressly reserves and shall hereafter have the right to issue in one or more installments such other bonds as provided below. Such Bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues, to the same extent as pledged and in all things on a parity with the lien of these Bonds.

The District expressly reserves and shall hereafter have the right to issue in one or more installments the following:

Parity Debt. Provided that the District is in compliance with the requirements of any then applicable provisions of State law, the District may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt if, in the applicable Supplement, the District finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the District shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the District an Officer's Certificate stating that, to the best of his or her knowledge, the District, has not failed to comply with the covenants contained in the Master Resolution and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof or under any Credit Agreement that constitutes Parity Debt and (ii) the Chief Financial Officer signs and delivers to the District a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Debt, the Net Earnings were, in the opinion thereof, at least equal to the Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt to be outstanding after the issuance of the then proposed Parity Debt.

Credit Agreements. To the extent permitted by law, the District may execute and deliver one or more Credit Agreements (i) upon the delivery to the District of the Chief Financial Officer's Certificate to the effect that the Credit Agreement is in the best interest of the District and (ii) compliance with the requirements of subsection (b) or (c) of this section, as the case may be, if the Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the District, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt. (d) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the District in accordance with State law.

Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the District in accordance with State law.

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

The Bond Resolution provides no additional remedies to a Registered Owner. Specifically, the Bond Resolution does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of the maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

The Master Resolution provides that All Gross Revenues shall be deposited in the System Account immediately upon receipt by the District. The Master Resolution also provides that Gross Revenues shall be appropriated, deposited, and transferred from the System Account to the other accounts and subaccounts to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined in the Master Resolution or required by statute to be a first charge on and claim against the Gross Revenues, including any reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year as determined by the Chief Financial Officer, which amount shall be retained in the System Account;

SECOND: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the District relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;

THIRD: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;

FOURTH: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;

FIFTH: to the extent required by any resolution or other instrument adopted or approved by the District pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and

SIXTH: all remaining Pledged Revenues shall be retained in the System Account and may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

THE DISTRICT

AUTHORITY . . . The District, which was originally created as Williamson County Municipal Utility District No. 2, is located in Williamson County, Texas. The District is a political subdivision of the State of Texas created by an order dated October 27, 1977 by the Texas Water Commission, predecessor to the TCEQ, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. On August 31, 1990, the Commission approved a name change to Brushy Creek Municipal Utility District. The District was created to provide water distribution, wastewater collection and storm drainage to the approximately 2,273.06 acres within its boundaries, all of which lie within Williamson County, Texas.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District may additionally 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 TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's System (defined herein) is subject to the regulatory jurisdiction of additional governmental agencies.

LOCATION . . . The main portion of the District (southern) is located in Williamson County approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The District is located approximately 1.5 miles west of the City of Round Rock, and 19 miles north of the City of Austin. The northern portion of the District lies south of FM 1431 and approximately three miles west of Interstate 35. The District lies wholly within the extraterritorial jurisdiction of Round Rock, and entirely within Williamson County and Round Rock Independent School District. Approximately 416.683 acres within the District are referred to as the "Sendero Springs and Cornerstone Defined Area." Access to the District is provided by Interstate Highway 35 and either FM 620 or FM 1431.

DESCRIPTION . . . At creation, the District encompassed approximately 725.13 acres of land. Subsequent annexations have increased the size of the District to 2,273.06 non-contiguous acres. The main portion of the District (southern) is located approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District is located approximately three miles west of Interstate 35 on the south of FM 1431. The District is located approximately 1.5 miles west of the City of Round Rock (City) and 19 miles north of the City of Austin. 416.683 acres within the District are contained within the Sendero Springs and Cornerstone Defined Areas. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock and entirely within Williamson County.

DEVELOPMENT WITHIN THE DISTRICT . . . Development of land within the District is complete. Approximately 2,273.06 acres have been developed as various subdivisions that include single-family residential, multi-family residential, commercial, and retail properties. Improvements within the single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction. Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools and three churches all of which are exempt from property taxes. In addition, the District contains approximately 200 acres of parks, greenbelts, floodplain, and reserves. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land.

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

DEVELOPMENT IN THE DISTRICT . . . Development within the District in its original configuration began in the late 1970s. In 1983, a 1,485-acre tract of land was annexed. The current boundaries of the District contain approximately 2,270 non-contiguous acres including an area containing approximately 416 acres in the north portion (the "North") of the District and approximately 1,854 acres in the south portion (the "South") of the District.

CURRENT RESIDENTIAL AND COMMERCIAL DEVELOPMENT IN THE DISTRICT . . . Development of lands within the District is complete. Approximately 2,273.06 acres within the District have been developed primarily as several single-family residential subdivisions as well as multi-family residential, commercial and retail development. The single-family subdivisions include Brushy Creek North, Sections One and Two; Sendero Springs, Sections One through Seven; Brushy Creek, Sections One through Six; Cat Hollow, Sections One, Three, Five, Seven, Nine, Thirteen, Five–A, One A, Sections A-1 through A-6, B, and Sections C1 and C2; The Meadows of Brushy Creek, Phase I through V; The Corners of Brushy Creek, Sections One through Three; The Woods of Brushy Creek, 26 Sections I, II, III, IV V, VI, and VII; Brushy Creek Village, Sections One and Two; and Highland Horizon, Phase I and II. Such single-family residential subdivisions include approximately 5,486 completed homes, and there are no remaining vacant but developed lots that are available for additional home construction. Multi-family residential development within the District includes two apartment complexes with a total of 943 units. Commercial developments include a 8,000 square foot office building, a 12,000 square foot office building, a 6,500 square foot building, a commercial center with cleaners, video rental, a Jack in the Box fast food restaurant, an American Service Center, four gas stations/convenience stores, three car washes, two banks, three day care centers, a drive-through bank facility, an HEB Supercenter grocery store, two commercial centers (5,000 square feet each) and a storage facility (10,000 square foot). The District also includes three schools and three churches, all of which are exempt from property taxes. In addition, the District contains approximately 200 acres of parks, greenbelts, floodplain, and reserves. The remaining property in the District includes various easements, rights-of-way, and other undevelopable land. Sendero Springs and Cornerstone Defined Area Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area or property and do not generally and directly benefit the District as a whole. Before a plan relating to a defined area is adopted by the District and becomes effective, the District must hold a public hearing and an election within such defined area. Effective May 29, 2001, Hyland North Joint Venture, Hyland Joint Venture, Highland Three Hundred, Ltd., HRI Development Corporation (collectively, the "Defined Area Developers") and the District entered into an "Agreement Regarding Bond Funds, Impact Fees and Other Matters" pursuant to which the Defined Area Developers agreed to submit a proposed defined area plan for consideration by the Board of Directors of the District relating to an area encompassing approximately 417 acres to be generally known as Sendero Springs and Cornerstone Defined Area. On December 13, 2001, the Board of Directors took action to proceed with the creation of the Sendero Springs and Cornerstone Defined Area (the "Defined Area") within the boundaries of the District. The Defined Area consists of two tracts, Sendero Springs (approximately 223 acres) and Cornerstone (approximately 194 acres). Both tracts have been developed for single-family residential purposes. Approximately 365 acres (1,082 lots) have been developed as the various single-family subdivisions within the Defined Area. Currently, there are approximately 1,082 completed homes. Development within the Defined Area is complete and includes the development of Sendero Springs, Section One through Seven and Highland Horizon, Phase I and II. The Defined Area also includes approximately 37 acres developed for commercial improvements. The remaining acreage in the Defined Area includes water quality ponds, drainage areas, reserves, and other undevelopable lands.

ANNEXATION . . . The District lies entirely within the extraterritorial jurisdictions of the City of Round Rock. Under Texas law, when a utility district lies within the extraterritorial jurisdiction of two or more cities, any of such cities may annex that portion of the utility district lying within its extraterritorial jurisdiction without dissolving the utility district. At such time as each of the cities has annexed that portion of the utility district within its extraterritorial jurisdiction, the cities may, but are not required to, dissolve the utility district and distribute among them the assets and liabilities of the utility district. Such distribution must be done pro rata, based on the ratio that the value of property and other assets distributed bears to the total value of all the property and other assets of the utility district.

Under Chapter 43 of the Texas Local Government Code, a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. A municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of September 1, 2026, the District had a population higher than the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

Annexation of land by a city is a policy-making matter within the discretion of the Mayor and City Council and therefore the District makes no representation that the City of Round Rock will ever annex any part of the District or whether such city will ever assume its debt. Moreover, no representation is made concerning the ability of the City of Round Rock to make debt service payments should annexation and dissolution of the District occur.

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 assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

ALTERATION OF BOUNDARIES . . . In certain circumstances, under Texas law the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) 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, or, upon petition by a landowner filed prior to August 31, 2007, for property within the District greater than 28 years. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

THE SYSTEM

THE SYSTEM . . . The District provides water, wastewater and drainage service to residents of the District and certain out of District customers. The District in 2025 provided water service to approximately 5,674 active connections and wastewater to approximately 5,551 active connections.

The District encompasses two non-contiguous areas: one located between Sam Bass Road and FM 1431, and another area situated mainly between Brushy Creek and RR 620, with an additional section south of RR 620. The primary neighborhoods include Brushy Creek North, Sendero Springs, Brushy Creek South, Hillside, The Villages of Brushy Creek, Cat Hollow, The Meadows of Brushy Creek, The Woods of Brushy Creek, Liberty Village, Cat Hollow Condominiums, and Highland Horizons.

The District operates its own water treatment facility, currently treating water from Lake Georgetown using the most advanced membrane filtration technology. The District also operates two elevated water towers: a 750,000-gallon composite tank located on Neenah Avenue and a 300,000-gallon elevated storage tank constructed in Sendero Springs adjacent to the Brushy Creek North Subdivision.

The Brushy Creek Municipal Utility District's wastewater/sewer is treated by the Brushy Creek Regional Wastewater Treatment Plant, which is owned by the cities of Round Rock, Cedar Park, and Austin.

WATER SYSTEM . . . The District's water production and distribution system, sanitary sewer collection and treatment and storm water systems have been designed in accordance with the criteria of various regulatory agencies including Williamson County, the City of Round Rock and the TCEQ. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity.

Water supply for the entire District is provided by a combination of groundwater and primarily three of six wells within the District, those three of which are capable of producing 2.44 million gallons per day (MGD) of water, and surface water pursuant to the "System Water Supply Agreement between the Brazos River Authority and Brushy Creek Municipal Utility District" (the "Agreement") 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 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 a full build-out.

Water is treated in an 8.2 MGD membrane filtration system and is disinfected using chlorine and chloramines.

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.

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

Facility	Minimum Requirements	Existing Capacity	Total Capacity (ESFC Capacity)
Wells[(a)]	0.6 gpm/ESFC	2,440,000 gpd	2,440,000 gpd (2,824 ESFCs)
Surface Water Supply[(b)]	360 gpm/ESFC	4,000 Acre-Feet	4,000 acre-ft (9,876 ESFCs)
Intake Pump Station[(c)]	0.6 gpm/ESFC	4,861 gpd	4,861 gpd (8,102 ESFCs)
Treatment Facility[(d)]	0.6 gpm/ESFC	5,694 gpd	5,694 gpd (9,490 ESFCs)
Total Storage[(e)]	200 gal/ESFC	3,050,000 gal	3,050,000 gal (15,250 ESFCs)
Elevated Storage	100 gal/ESFC	1,050,000 gal	1,050,000 gal (10,500 ESFCs)

(a) Three of the District's wells are currently in use.
(b) Represents the maximum daily pumping allowed.
(c) Firm capacity; smallest 2 MGD pump will be replaced with 5 MGD pump when needed.
(d) Represents rated capacity.
(e) Total storage includes ground storage of 2,000,000 gallons plus elevated storage of 1,050,000 gallons.

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

The District's existing water supply facilities are currently capable of serving approximately 9,259 ESFCs. Therefore, the District's existing water supply facilities are adequate to serve the 5,674 ESFCs.

As growth occurs in and around the District, and upon the request of landowners and voters within the District, the District may designate additional defined areas to provide water, wastewater and drainage to growth areas.

TABLE 1 – HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year End	Gallons Pumped
2021	951,510,000
2022	1,048,087,000
2023	984,921,000
2024	889,465,000
2025	947,230,000

(The remainder of this page left blank intentionally.)

TABLE 2 – TOP WATER CUSTOMERS (BASED ON GALLONS CONSUMED FOR FISCAL YEAR ENDED 9/30/2025)

Name of Customer	Gallons	% of Total[(a)]
Landing at Round Rock Acquisition LLC	16,893,000	2.05%
The Marquis at Brushy Creek	15,606,000	1.89%
Landing at Round Rock Acquisition LLC	14,237,000	1.73%
Cat Hollow at Brushy Creek	8,280,000	1.00%
Cat Hollow Condos	6,745,000	0.82%
Ignite Medical Resorts Round Rock	5,582,000	0.68%
GO Car Wash	3,949,000	0.48%
The Marquis at Brushy Creek	3,431,000	0.42%
The Marquis at Brushy Creek	3,280,000	0.40%
Landing at Round Rock Acquisition LLC	3,192,000	0.39%
	81,195,000	9.85%

(a) Calculation based upon calendar usage total of 824,301,000 gallons.

TABLE 3 – MONTHLY WATER AND SEWER RATES

		In District	
Monthly Water Billings for Residential and Commercial[(a)]			
Minimum Monthly Charge	$	20.00	
Per 1,000 Gallons Used (Off Peak Rates, October-May)		$3.50 Per Gallon	
Per 1,000 Gallons Used (Peak Rates, June-September)		$4.70 Per Gallon	
Monthly Sewer Billings for Residential and Commercial[(a)]			
Minimum Monthly Charge	$	9.00	
Per 1,000 Gallons Used (Off Peak Rates, October-May		$3.20 Per Gallon	
Tap Fees:			
Water Residential	$	600.00	/LUE; $2,089/LUE out of District
Sewer Residential	$	60.00	
Impact:			
Water	$	2,095.00	/LUE
Wastewater	$	1,804.00	/LUE

(a) The minimum charges for commercial customers for water and sewer service are based on water meter sizes and LUEs.

WASTEWATER SYSTEM . . . 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 (the "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. EQ0010264002 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 service the 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 801 ESFCs within the Defined Area upon which the feasibility of this bond issue is based.

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TABLE 4 – TOP WASTEWATER CUSTOMERS (BASED ON GALLONS CONSUMED FOR FISCAL YEAR ENDED 9/30/2025)

Name of Customer	Gallons	% of Total[(a)]
Landing at Round Rock Acquisition LLC	21,178,400	3.97%
The Marquis at Brushy Creek	15,520,900	2.91%
Landing at Round Rock Acquisition LLC	13,694,400	2.57%
Cat Hollow Condos	5,940,400	1.11%
Ignite Medical Resorts Round Rock	4,442,500	0.83%
RRISD Brushy Creek Elementary	4,210,900	0.79%
GO Car Wash	2,909,500	0.55%
Great Oaks Animal/Engie Insight	2,553,000	0.48%
CSH Round Rock LP	1,963,900	0.37%
RRISD Great Oaks Elementary	1,873,400	0.35%
	74,287,300	13.93%

(a) Calculation based upon calendar usage total of 533,221,400 gallons.

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 the 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.

INVESTMENT CONSIDERATIONS

GENERAL . . . The Bonds are special limited obligations solely of the District and are not obligations of the City of Round Rock, Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect amounts sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues, which will be adequate to pay promptly all of the principal of and interest on the Outstanding Parity Debt, the Bonds and any Additional Bonds, and to make all deposits required to be made into the Reserve Fund and any other funds established by the Bond Resolution or any other resolution authorizing the issuance of Additional Bonds (see "SECURITY FOR THE BONDS"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.** The capital recovery fees pledged to the Bonds are only assessed in connection with new development within the District and are subject to volatility depending upon growth within the District.

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 charge and collect rates for the System sufficient to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no right to the acceleration of the 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 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 "SECURITY FOR THE BONDS – Bondholders' Remedies."

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . . The enforceability of the rights and remedies of Bondholders 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 Bondholders' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic bondholders' stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed 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 negotiation is impracticable. Under Texas law, a water control and improvement district such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its 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 invoking 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 appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

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

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . . Failure of the District to comply with certain covenants contained in the Bond Resolution 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."

POTENTIAL IMPACT OF NATURAL DISASTER . . . The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, revenues received from the System could be significantly reduced.

There can be no assurances that casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such disasters.

ENVIRONMENTAL REGULATION . . . *Air Quality Issues*. Air quality control measures required by the United States Environmental Protection Agency ("EPA") and the TCEQ (the "Texas Commission on Environmental Quality") may impact new industrial, commercial and residential development in the Austin-Round Rock Area. The Federal Clean Air Act ("CAA") requires the EPA to adopt and periodically revise national ambient air quality standards ("NAAQS") for each of the six regulated air pollutants that may reasonably be anticipated to endanger public health or welfare: ground-level ozone, lead, carbon monoxide, sulfur dioxide, nitrogen dioxide, and particulate matter.

When a pollutant concentration in an area exceeds the NAAQS for a given pollutant, the area can be designated as "nonattainment" by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so-called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. The Austin-Round Rock area, consisting of Williamson, Hays, Williamson, Bastrop, and Caldwell Counties (the "Austin-Round Rock Area"), was designated "attainment" on April 30, 2004, which became effective on June 15, 2004. In 2008, the EPA lowered the ozone standard from 80 ppb to 75 ppb (the "2008 Ozone Standard"). The Austin-Round Rock Area was designated as "attainment/unclassifiable" under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard from 75 ppb to 70 ppb (the "2015 Ozone Standard"). On November 16, 2017, the EPA designated the Austin-Round Rock Area as "attainment/unclassifiable" under the 2015 Ozone Standard, which became effective on January 16, 2018.

Although the Austin-Round Rock Area is currently designated an attainment/unclassifiable area, the Austin-Round Rock Area has been and continues to be near the non-attainment thresholds for the ozone standard. Accordingly, it is possible that the Austin-Round Rock Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. Specifically, should the Austin-Round Rock Area fail to achieve attainment/unclassifiable designation under EPA NAAQS, or should the Austin-Round Rock Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin-Round Rock Area may be subjected to serious repercussions pursuant to the CAA, including stricter emissions control requirements, mandatory sanctions, and a required Federal Implementation Plan (FIP) improved by the EPA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin-Round Rock Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA's implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin-Round Rock Area in the future is uncertain.

In the past, the Austin-Round Rock Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. The Austin-Round Rock Area is currently participating in the Capital Area Council of Governments ("CAPCOG") Ozone Advance Program ("OAP") as part of a voluntary regional 2019-2023 air quality plan focused on reducing ozone to keep the Austin-Round Rock Area in attainment with federal air quality standards. On February 7, 2024, the EPA announced a final rule to revise the primary annual PM2.5 (particulate matter) standard from its current level of 12.0 ϕg/m3 to 9.0 ϕg/m3. The EPA will likely designate non-attainment areas in early 2026. The non-attainment areas will have to come into compliance by 2032.

<u>*Water Supply and Discharge Issues*</u>. Water supply and discharge regulations that water control and improvement districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the Austin-Round Rock Area. A water control and improvement district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a water control and improvement district's provision of water for human consumption is subject to extensive regulation as a public water system. Water control and improvement districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a water control and improvement district must comply may have an impact on the water control and improvement district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain 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. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA 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 United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of water control and improvement districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

FUTURE DEBT . . . In the Bond Resolution, the District retains the right to issue Additional Bonds, subject to certain requirements. See "SECURITY FOR THE BONDS – Issuance of Additional Bonds."

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

DROUGHT CONDITIONS . . . The District, like other areas of the State, experiences drought conditions from time to time. Brushy Creek Municipal Utility District ("BCMUD") has updated its state-approved Drought Contingency Plan to help protect its water supplies from Lake Georgetown and Lake Stillhouse during severe drought conditions. Because BCMUD receives water managed by the Brazos River Authority ("BRA"), it also follows the BRA's drought plan.

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DEBT INFORMATION

TABLE 5 – PRO-FORMA REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Parity Debt Bonds			The Bonds[a]			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2026	$ 500,000	$ 69,301	$ 569,301	$ -	$ -	$ -	$ 569,301
2027	515,000	56,151	571,151	-	988,750	988,750	1,559,901
2028	525,000	42,606	567,606	-	1,575,000	1,575,000	2,142,606
2029	540,000	28,799	568,799	495,000	1,575,000	2,070,000	2,638,799
2030	555,000	14,597	569,597	520,000	1,549,013	2,069,013	2,638,609
2031	-	-	-	545,000	1,521,713	2,066,713	2,066,713
2032	-	-	-	575,000	1,493,100	2,068,100	2,068,100
2033	-	-	-	605,000	1,462,913	2,067,913	2,067,913
2034	-	-	-	640,000	1,431,150	2,071,150	2,071,150
2035	-	-	-	670,000	1,397,550	2,067,550	2,067,550
2036	-	-	-	705,000	1,362,375	2,067,375	2,067,375
2037	-	-	-	745,000	1,325,363	2,070,363	2,070,363
2038	-	-	-	785,000	1,286,250	2,071,250	2,071,250
2039	-	-	-	825,000	1,245,038	2,070,038	2,070,038
2040	-	-	-	865,000	1,201,725	2,066,725	2,066,725
2041	-	-	-	910,000	1,156,313	2,066,313	2,066,313
2042	-	-	-	960,000	1,108,538	2,068,538	2,068,538
2043	-	-	-	1,010,000	1,058,138	2,068,138	2,068,138
2044	-	-	-	1,065,000	1,005,113	2,070,113	2,070,113
2045	-	-	-	1,120,000	949,200	2,069,200	2,069,200
2046	-	-	-	1,180,000	890,400	2,070,400	2,070,400
2047	-	-	-	1,240,000	828,450	2,068,450	2,068,450
2048	-	-	-	1,305,000	763,350	2,068,350	2,068,350
2049	-	-	-	1,375,000	694,838	2,069,838	2,069,838
2050	-	-	-	1,445,000	622,650	2,067,650	2,067,650
2051	-	-	-	1,520,000	546,788	2,066,788	2,066,788
2052	-	-	-	1,600,000	466,988	2,066,988	2,066,988
2053	-	-	-	1,685,000	382,988	2,067,988	2,067,988
2054	-	-	-	1,775,000	294,525	2,069,525	2,069,525
2055	-	-	-	1,870,000	201,338	2,071,338	2,071,338
2056	-	-	-	1,965,000	103,163	2,068,163	2,068,163
	$ 2,635,000	$ 211,452	$ 2,846,452	$ 30,000,000	$ 30,487,713	$ 60,487,713	$ 63,334,165

(a) Interest on the Bonds has been calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL BONDS . . . The District does anticipate the issuance of Additional Bonds within the next 8 months.

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FINANCIAL INFORMATION

TABLE 6 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY . . . The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX B – Excerpts from the Brushy Creek Municipal Utility District Financial Audit Report."

	Fiscal Year Ended September 30,				
Operating Revenues:	2025	2024	2023	2022	2021
Water and Wastewater Revenues	$ 7,595,062	$ 7,347,600	$ 7,385,191	$ 5,731,129	$ 5,408,639
Parks and Recreation Fees	2,519,471	2,616,917	2,414,578	2,133,310	1,560,908
Garbage Collection	1,604,070	1,554,850	1,398,153	1,397,438	1,395,584
Park, Stormwater and Emergency Fees	556,345	-	-	-	-
Inspection Fees	29,090	47,170	47,060	24,075	21,675
Tap and Connection Fees	35,799	26,471	50,791	1,325	1,296
Property Taxes	9,077,485	9,098,312	9,222,308	11,615,579	11,223,172
Investment Earnings	1,295,745	1,785,698	1,098,828	(557,519)	90,800
Other Revenues and Fees	3,988,132	621,511	317,495	384,315	268,184
Total	$ 26,701,199	$ 23,098,529	$ 21,934,404	$ 20,729,652	$ 19,970,258
Operating Expenses:[(a)]					
Salary and Benefits	$ 8,080,460	$ 7,353,348	$ 6,418,648	$ 5,838,057	$ 5,200,496
Water and Wastewater Purchases	1,585,674	1,646,922	1,904,999	1,719,145	1,725,371
Garbage Fees	1,298,494	1,259,223	1,318,212	1,179,427	1,146,332
Repairs and Maintenance	1,536,247	1,120,808	1,004,808	1,045,010	1,385,387
Administrative	380,655	422,933	460,981	355,553	336,695
Utilities	703,931	660,444	615,908	644,156	585,697
Contracted Services	1,060,070	957,980	859,546	788,505	515,883
Legal Fees	184,714	163,060	170,046	199,649	169,912
Insurance	196,429	178,835	164,147	136,730	102,693
Engineering Fees	258,213	343,955	326,643	185,699	147,775
Audit/Tax Appraisal and Collection Fees	60,747	47,000	55,950	99,438	105,653
Financial Advisor	20,000	20,000	20,000	20,000	20,000
Director Fees	35,209	36,000	29,036	32,850	34,050
Security Fees	166,606	131,055	121,346	118,854	140,282
Other	1,214,494	947,673	950,190	754,867	614,486
Debt Service	572,188	569,680	571,909	4,650,970	5,548,982
Total	$ 17,354,131	$ 15,858,916	$ 14,992,369	$ 17,768,910	$ 17,779,694
Net Revenues of the System	$ 9,347,068	$ 7,239,613	$ 6,942,035	$ 2,960,742	$ 2,190,564
Number of Water Connections Served	5,674	5,675	5,685	5,679	5,673

(a) Excludes capital outlay.

TABLE 7 – COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2026-2056[(a)]	$ 2,043,038
Coverage of Average Requirements by 9-30-2025 Net System Revenues	4.58x
Maximum Principal and Interest Requirements, 2029[(a)]	$ 2,638,799
Coverage of Maximum Requirements by 9-30-2025 Net System Revenues	3.54x
Outstanding Parity Debt[(a)]	$ 32,135,000

(a) Includes the Bonds. Preliminary, subject to change.

INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law, particularly the Public Funds Investment Act, Texas Government Code Chapter 2256 (the PFIA"), and in accordance with investment policies approved by the Board of Directors of the District. Both Texas law and the District's investment policies are subject to change.

AUTHORIZED INVESTMENTS . . . The District is authorized to invest in the following types of obligations, with certain restrictions (each an "Authorized Investment"): (1) obligations of the United States or its agencies and instrumentalities, certain U.S. Agencies, the State of Texas, and obligations insured by the Federal Deposit Insurance Corporation; (2) certain municipal securities; (3) certificates of deposit; (4) repurchase agreements; (5) securities lending programs; (6) bankers' acceptances; (7) commercial paper; (8) money market savings accounts; (9) mutual funds; (10) guaranteed investment contracts; (11) government investment pools; and (12) common trust funds. The District may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. § 80b-1 et seq.) or with the Texas State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets.

GOVERNMENT INVESTMENT POOLS . . . Government investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Texas Government Code Chapter 791, and their membership is limited to governmental entities, such as the District. A Pool may only invest its funds in accordance with, and in investments authorized by, the PFIA. Typically, a Pool operates like a money market mutual fund and is required to make its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. In addition to other provisions of the PFIA, the PFIA requires each Pool to: (1) have an advisory board composed of participants in the Pool and other persons who do not have a business partnership with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than "AAA" or "AAA-m" or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

INVESTMENT PRACTICES . . . The PFIA contains many specific provisions in the areas of investment practices, management reports and establishment of appropriate policies, some of which are summarized herein. 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) a list of authorized investments for District funds, (B) the maximum allowable stated maturity of any individual investment, (C) the maximum dollar-weighted average maturity allowed for pooled fund groups, (D) methods to monitor the market price of investments acquired with public funds, (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and (F) procedures to monitor rating changes in investments acquired with public funds. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

At least quarterly the District's investment officers must submit an investment report to the Board of Directors of the District detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the District's Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy, and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

CURRENT INVESTMENTS . . . The District's investment goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasuries or certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio. As of June 30, 2026 the District's funds were invested in the following:

Account	Amount	Percent
First Texas Bank	$ 1,397,573	3.28%
TexPool/LOGIC	24,220,398	56.89%
PECU	11,206	0.03%
Frost Bank – Commercial Paper	1,971,825	4.63%
Frost Bank – U.S. Treasuries	5,496,046	12.91%
Frost Bank – U.S. Agencies	9,478,312	22.26%
Total	$ 42,575,360	100.00%

SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT

The following are excerpts of certain definitions and provisions of the Bond Resolution Authorizing the Issuance of Brushy Creek Municipal Utility District Water and Sewer System Revenue Bonds, Series 2026. Such excerpts do not purport to be complete and reference should be made to the Bond Resolution for the entirety thereof. Copies of the Bond Resolution are available upon request to the District.

"Annual Debt Service Requirements" means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Parity Debt coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the District on such Parity Debt, or be payable in respect of any required purchase of such Parity Debt by the District) plus (ii) all payments required to be made by the District under each Credit Agreement constituting Parity Debt (net of any credits as provided in (7) below) in such Fiscal Year, and minus (iii) all amounts on deposit to the credit of the Interest and Sinking Account from original proceeds from the sale of Parity Debt or from any other lawfully available source (other than moneys that would constitute Pledged Revenues in the subject annual period) and, for such purposes, any one or more of the following rules shall apply at the election of the District; provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Parity Debt:

(1) Committed Take Out. If the District has entered into a Credit Agreement constituting Parity Debt and constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the District's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Funded Debt;

(2) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, "Principal"), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the District) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the District an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the District has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of, premium, if any, and interest on Parity Debt, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal, premium, if any, or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including, without limitation, capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Parity Debt;

(5) Variable Rate. As to any Parity Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the District, the interest rate for such Parity Debt shall be determined to be either (i) an interest rate equal to the average rate borne by such Parity Debt (or by comparable debt in the event that such Parity Debt has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Parity Debt bears interest at tax-exempt rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the District determines most closely replicates such index as set forth in a certificate of an Authorized Representative, (iii) if the Parity Debt bears interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the Chief Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Parity Debt, is the average rate anticipated to be in effect with respect to such Parity Debt or (v) that interest rate which, in the judgment of the Chief Financial Officer, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement in accordance with paragraph 7 of this definition, is the average rate anticipated to be in effect;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Parity Debt issued as Short-Term Obligations, the debt service on such Parity Debt shall be calculated assuming that such Parity Debt will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the District, the result of the foregoing calculation is inconsistent with the reasonable expectations of the District, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreement Payments. If the District has entered into a Credit Agreement in connection with an issue of Parity Debt, payments due under any such Credit Agreement (other than payments for fees and expenses) from either the District or the provider of a Credit Agreement shall be included in such calculation, except to the extent that the payments are already taken into account under clauses (1) through (6) above and any payments otherwise included under clauses (1) through (6) above which are to be replaced by payments under such a Credit Agreement, from either the District or the provider under a Credit Agreement, shall be excluded from such calculation.

"Authorized Denominations" – means $5,000 or any integral multiple thereof.

"Authorized Representative" – means the General Manager of the District or such other individuals so designated by the District to perform the duties of an Authorized Representative under this Second Supplement.

"Bond Proceeds Account" – has the meaning assigned to that term in Section 3(d) of the Master Resolution.

"Bonds" – means the Bonds issued pursuant to and governed by the Second Supplement, as described in Article II hereof.

"Certified Public Accountant" – means a certified public accountant or firm or corporation of certified public accountants, selected by the District, which in the case of an individual is not a member of the Board of Directors of the District or an employee of the District, and in the case of a firm or corporation does not have a partner, director, officer, or employee who is a member of the District or a director, officer, or employee of the District.

"Chief Financial Officer" – means the General Manager of the District or such other officer or employee of the District or such other individual so designated by the District to perform the duties of Chief Financial Officer under this Master Resolution.

"Credit Agreement" – means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Debt, purchase or sale agreements, interest rate swap, cap and/or floor agreement or commitment, or other contract or agreement authorized, recognized, and approved by the District as a Credit Agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Debt, the interest on Debt, or both.

"Current Interest Bonds" – means the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in this Second Supplement.

"Debt" – means all indebtedness of the District payable from all or part of the Security that is also:

(1) indebtedness incurred or assumed by the District for borrowed money (including all obligations arising under Credit Agreements) and all other financial obligations of the District that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the District, or that is in effect guaranteed, directly or indirectly, by the District through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge, or other security interest upon property owned by the District whether or not the District has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the District, only outstanding Debt shall be included. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the District in prior Fiscal Years.

"Defeased Debt" – means any Parity Debt and the interest thereon deemed to be paid, retired, and no longer Outstanding pursuant to the provisions of the applicable Supplement authorizing such Parity Debt; and thus, no longer secured by, payable from, or entitled to the benefits of the Security.

"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 District 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 is 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 District 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.

"Enabling Act" – means the statutory authority cited in each Supplement approved in connection with the issuance of a particular series of Parity Debt.

"Federal Securities" – means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"Financing Program" – means the "Brushy Creek Municipal Utility District Utility System Revenue Financing Program."

"Fiscal Year" – means the twelve-month accounting period used by the District in connection with the operation of the Utility System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the District, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" – means all Parity Debt created, assumed, or guaranteed by the District that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the District to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the District.

"Gross Revenues" and "Gross Revenues of the District's Utility System" – mean all revenues, income and receipts of every nature derived or received by the District from the operation and ownership of the Utility System including the interest income from investment or deposit of money in any account or subaccount created by this Master Resolution or maintained by the District in connection with the Utility System (Except any account or subaccount not pledged as Security under this Master Resolution or any Supplement) and any other revenues hereafter pledged to the payment of all Parity Debt. Any interest income related to any reserve account shall operate as provided in the applicable Supplement.

"Holder" or "Bondholder" or "owner" – means the (i) registered owner of any Parity Debt registered as to ownership, (ii) holder of any Parity Debt payable to bearer or (iii) obligee (other than the District) pursuant to any Credit Agreement.

"Interest and Sinking Account" – has the meaning assigned to that term in Section 3(c) of the Master Resolution.

"Maintenance and Operating Expenses" – means the reasonable and necessary expenses of operation and maintenance of the Utility System as required by State law including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Chief Financial Officer, are necessary to keep the

Utility System in operation and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Debt), and all payments under contracts now or hereafter defined as operating expenses by State law. Depreciation shall never be considered as a Maintenance and Operating Expense.

"Master Resolution" – means this "Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program" as may be supplemented or amended from time to time as authorized by the District and this Master Resolution.

"Maturity" – means, when used with respect to the Bonds, the scheduled maturity of the Bonds.

"Maximum Rate" – means a net effective interest rate (as defined in and calculated in accordance with the provisions of the Chapter 1204, Texas Government Code, as amended not to exceed fifteen percent (15%)).

"Net Revenues" and "Net Revenues of the District's Utility System" – mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"Non-Recourse Debt" – means any debt secured by a lien (other than a lien on the Security), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to the Security.

"Officer's Certificate" – means a certificate signed by an Authorized Representative.

"Opinion of Counsel" – means a written opinion of counsel which shall be acceptable to the District.

"Outstanding" – means, when used with respect to Parity Debt, as of the date of determination, all Parity Debt theretofore delivered under this Master Resolution or any Supplement, except:

(1) Parity Debt theretofore cancelled and delivered to the District or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Debt deemed to be Defeased Debt;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to this Master Resolution or any Supplement; and

(4) Parity Debt under which the obligations of the District have been released, discharged, or extinguished in accordance with the terms thereof; provided, however, that unless the same is acquired for purposes of cancellation, Parity Debt owned by the District and Parity Debt purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Principal Amount" – means, as of any record date established by a Registrar in connection with a proposed amendment of this Master Resolution or any Supplement, with respect to all Parity Debt or to a series of Parity Debt that is in the form of bonds, notes, or other similar instruments that have a stated principal amount, the outstanding and unpaid principal amount of such Parity Debt on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity and, with respect to Credit Agreements shall total the amount, if any, then due under such Credit Agreement if it was to be terminated as of the date of calculation of Outstanding Principal Amount.

"Owner" – The registered owners of the Bonds as shown on the Security Register and to the extent set forth in a Credit Agreement relating to the Bonds, the party contracting with the City under a Credit Agreement.

"Parity Debt" – means all Debt of the District which may be issued or assumed in accordance with the terms of this Master Resolution and a Supplement secured by a lien on and pledge of the Security.

"Paying Agent" – means the agent selected and appointed by the District for purposes of paying the principal of, premium, if any, and interest on the Bonds to the Owners thereof, as identified in Section 2.03 hereof and any successor to such agent.

"Paying Agent/Registrar" – means, collectively, the Paying Agent and the Registrar designated in Section 2.03 of this Second Supplement or any successor to such agent.

"Paying Agent/Registrar Agreement" – means the agreement having such name executed by and between the District and the Paying Agent/Registrar.

"Pledged Revenues" – means (1) the Net Revenues plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the District to the payment of the Parity Debt, and excluding those revenues excluded from Gross Revenues.

"Predecessor Bonds" – means Predecessor Bonds as defined in Section 2.05(a) of the Master Resolution.

"Rebate Account" – means the account by that name described in Section 4.02 of the Master Resolution.

"Record Date" – means, with respect to each interest payment date of a Bonds, the 15th day of the next preceding month.

"Registrar" – means the entity designated in a Supplement as the Registrar of a series or issue of Parity Debt.

"Reserve Account" – means the account that is described in Section 4.03 of the Master Resolution.

"Reserve Account Obligation" – means a surety bond or insurance policy deposited in the Reserve Account to satisfy the Required Reserve Amount whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

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

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

"Second Supplement" – means this Second Supplemental Resolution, which was adopted pursuant to authority reserved by the District under the Master Resolution.

"Section" – means, unless the context clearly requires otherwise, reference to a Section of this Second Supplement.

"Security" – has the meaning assigned to that term in Section 2(a) of the Master Resolution.

"Security Register" – means the books and records kept and maintained by the Registrar relating to the registration, transfer, exchange, and payment of the Bonds and the interest thereon.

"Special Project" – means, to the extent permitted by law, any waterworks, sanitary sewer, wastewater reuse, drainage system or other similar system property, improvement or facility declared by the District not to be part of the Utility System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"State" – means the State of Texas.

"Stated Maturity" – when used with respect to any Parity Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Parity Debt or such installment of interest as a fixed date on which the principal of such Parity Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" – means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then outstanding or subsequently issued.

"Supplement" – means a resolution supplemental to, and authorized and executed pursuant to the terms of, this Master Resolution as may be supplemented or amended from time to time as authorized by the District and such Supplement.

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Excerpted Provisions of the Master Resolution

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Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Enabling Act and other applicable provisions of State law, the Utility System Revenue Financing Program is hereby established for the purpose of providing a new financing structure for the issuance of Debt by the District secured by and payable from a pledge of and lien on all or part of the Security. This Master Resolution is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the District has complied with this Master Resolution.

Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with this Master Resolution.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Parity Debt shall be secured by and payable solely from a lien on and pledge of the following (collectively, the "Security"): (i) all Pledged Revenues; (ii) all amounts in the System Account and the Interest and Sinking Account; (iii) any additional account or subaccount that is subsequently established and so designated as being included within the Security pursuant to Section 3(f) hereof; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement. With respect to any applicable series of Parity Debt, the term "Security" shall also include all amounts in any reserve account or subaccount applicable to such series of Parity Debt pursuant to Section 3(e) hereof, including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. The District hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, and the Security is further pledged to the establishment and maintenance of any accounts or subaccounts which may be provided to secure the repayment of Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, in accordance with this Master Resolution and any Supplement.

(b) Credit Agreements. To the extent permitted by law, pursuant to Chapter 1371, Texas Government Code, as amended, and other applicable law, the District may execute and deliver one or more Credit Agreements (i) to additionally secure Parity Debt or an issue or series or part of any issue or series of Parity Debt or (ii) in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing or redemption of Parity Debt or an issue or series or part of an issue or series of Parity Debt or interest on an issue or series or part of an issue or series of Parity Debt without regard to whether a Credit Agreement was contemplated, authorized or executed in relation to the initial issuance, sale or delivery of Parity Debt. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute: (i) Parity Debt secured by a pledge of the Security on parity with all Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt or (iii) partially on a parity with Parity Debt and partially as Subordinated Debt.

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

Section 3. ACCOUNTS. (a) Creation or Affirmation of Funds. The District hereby establishes and/or affirms the creation of the following funds or accounts:

(i) the System Revenue Fund or Account (the "System Account");

(ii) the Utility System Interest and Sinking Account (the "Interest and Sinking Account"); and

(iii) the Utility System Bond Proceeds Account (the "Bond Proceeds Account").

(b) System Account. Subject to the provisions of Section 4 of this Master Resolution, moneys in the System Account may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

(c) Interest and Sinking Account. Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the District shall maintain such account as long as Parity Debt is Outstanding.

(d) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

(e) Reserve Accounts or Subaccounts. The District may establish a reserve account and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The District may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by State law, to be held for the benefit of such a reserve account or subaccount.

(f) Other Accounts. The District reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts for such other purposes as the District may determine from time to time. The District may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

Section 4. FLOW OF FUNDS. All Gross Revenues shall be deposited in the System Account immediately upon receipt by the District. All Gross Revenues are hereby and shall be appropriated, deposited, and transferred from the System Account to the other accounts and subaccounts to the extent required for the following uses and in the order of priority shown:

> FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute to be a first charge on and claim against the Gross Revenues, including any reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year as determined by the Chief Financial Officer, which amount shall be retained in the System Account;
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> SECOND: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the District relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;
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> THIRD: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;
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> FOURTH: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;
>
> FIFTH: to the extent required by any resolution or other instrument adopted or approved by the District pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and
>
> SIXTH: all remaining Pledged Revenues shall be retained in the System Account and may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

Section 5. RATE COVENANT. For the benefit of the Holders of the Parity Debt and in addition to all provisions and covenants in the laws of the State and in this Master Resolution and any Supplement, the District hereby expressly stipulates and agrees, while any of the Parity Debt is Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

1. to pay Maintenance and Operating Expenses;

2. to produce Pledged Revenues in amounts sufficient to enable the District to make the deposits and credits, if any, from Pledged Revenues to the accounts and subaccounts required by this Master Resolution and any Supplement including to meet all financial obligation for Parity Debt and to fund or replenish any reserve account required by a Supplement, including the payment of any Reserve Account Obligation then due;

3. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the District expects will be utilized to pay all or part of the principal of and/or interest on any obligations) sufficient to meet all financial obligations for Subordinated Debt issued by the District; and

4. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Security.

Should the annual audit report reflect that the Security for the Fiscal Year covered thereby is less than necessary to meet the requirements of this Section, the Board of Directors will review the operations of the Utility System and the rates and charges for services provided, and the Board of Directors of the District will make the necessary adjustments or revisions, if any, in order that the Security for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

Section 6. GENERAL REPRESENTATIONS AND COVENANTS. The District further represents, covenants and agrees that while Parity Debt or interest thereon is Outstanding:

(a) Payment of Parity Debt. The District will duly and punctually pay solely from the Security, (i) the Annual Debt Service Requirements on, and other payments with respect to, each and every Parity Debt on the dates and at the places, as such

Parity Debt accrues or matures, or becomes subject to mandatory redemption prior to maturity and such payments will be made in the manner provided in said Parity Debt and the Supplement governing its issuance, according to the true intent and meaning thereof and (ii) the fees and expenses related to Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent, or credit provider.

(b) Performance. The District will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Master Resolution and in each Supplement, and in each and every Parity Debt or evidence thereof and will take such action as is reasonably possible to perform each and every duty with respect to the Parity Debt.

(c) Redemption. The District will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(d) Determination of Annual Debt Service Requirements. For all purposes of this Master Resolution, the judgment of the Chief Financial Officer shall be deemed final in the determination of the Annual Debt Service Requirements of the Financing Program.

(e) Lawful Authority. The District is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in subsection (g) of this Section and in Section 7 of this Master Resolution, the District (i) will not do or suffer any act or thing whereby the pledge of the Security might or could be impaired and (ii) will take all actions to the extent necessary to ensure that the District does not do or suffer any act or thing whereby the pledge of the Security might or could be impaired.

(g) No Additional Encumbrance. The District shall not incur additional Debt secured by the Security in any manner, except as permitted by this Master Resolution in connection with Parity Debt, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplement. Any Debt incurred by the District without satisfying the conditions for the issuance of Parity Debt, as set forth in this Master Resolution, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Resolution and any Supplement whether such status is noted or not.

(h) Investments and Security. Moneys in all accounts and subaccounts established pursuant to this Master Resolution and any Supplement will be held uninvested or invested and secured in the manner prescribed by State law for such funds and in accordance with the applicable Supplement and written policies adopted by the District. The investments of each account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the District's obligations hereunder and under any Supplement. Money in all accounts and subaccounts established pursuant to this Master Resolution and any Supplement may be combined for investment purposes, as directed by the District. Such treatment does not constitute a commingling of the money in such accounts and subaccounts and the District shall keep or cause to be kept full and complete records indicating the money, investments and securities credited to each such account and subaccount. Any profits or losses from investments shall be credited or charged, respectively, on a pro rata basis among the accounts and other sources of money from which such investment was made.

(i) Records; Annual Audit. The District will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Utility System. Each year while any Parity Debt is Outstanding, the District covenants that as soon as practicable beginning with the end of the first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Utility System for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The District shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same, and shall file or make available such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the District's finance office and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

(j) Inspection of Records. The District will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Debt at all reasonable times to inspect all records, accounts, and data of the District relating to the Utility System and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

(k) Title. The District has or will obtain lawful title to the lands, buildings, structures and facilities constituting the Utility System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of any Owner of the Parity Debt, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Debt in the manner prescribed herein, and has lawfully exercised such rights.

(l) Liens. The District will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Utility System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

(m) Operation of Utility System. The District will, while the Parity Debt is Outstanding and unpaid, continuously and efficiently operate the Utility System, and shall maintain the Utility System in good condition, repair and working order, all at reasonable cost. Except as may be authorized by law, the District shall not provide any free service from the Utility System.

(n) Sale or Disposal of Property. While the Parity Debt is Outstanding and unpaid, the District will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the Utility System, or any significant or substantial part thereof; provided that whenever the District deems it necessary to dispose of any property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by an Authorized Representative that no such replacement or substitute is necessary; and, provided further, that the District retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Utility System if (i) the Authorized Representative delivers a certificate to the Board of Directors to the effect that, following such action by the District, the Utility System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while the Parity Debt is to be Outstanding to comply with the obligations of the District contained in this Master Resolution, (ii) the Board of Directors makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for insured Parity Debt, the Net Revenues for the Fiscal Year prior to such sell, conveyance, mortgage, encumbrance, lease or disposal of any significant or substantial part of the Utility System are at least equal to 1.25 times the average Annual Debt Service Requirements or for uninsured Parity Debt, each Rating Agency then maintaining a rating on such Parity Debt delivers a letter to the District to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition of a significant or substantial part of the Utility System will not cause the Rating Agency to withdraw or lower the rating then in effect. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Utility System or to purchase or redeem Parity Debt.

(o) Insurance. (1) The District shall cause to be insured such parts of the Utility System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable at reasonable cost, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the Attorney of the District gives a written opinion to the effect that the District is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property are hereby pledged as security for the Parity Debt and, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Utility System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Debt, ratably in the proportion that the Outstanding principal of each series of Parity Debt bears to the total Outstanding principal of all Parity Debt, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Debt is subject to redemption, then for the purchase on the open market and retirement of said Parity Debt in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Debt shall not exceed the redemption price of such Parity Debt on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the District, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the District shall have authority to enter into a self insurance program or coinsurance or similar plans where risk of loss is shared in whole or in part by the District.

(3) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Master Resolution shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the Utility System, but nothing herein shall be construed as preventing the District from doing so.

(p) Governmental Agencies. The District will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the Utility System, and which have been obtained from any governmental agency; and the District has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Utility System.

(q) Disaggregation of Utility System. The District retains the right to disaggregate the Utility System into one or more independent resulting systems if (i) the Authorized Representative delivers a certificate to the Board of Directors to the effect that, following such action by the District, the remaining System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Debt is to be Outstanding to comply with the obligations of the District contained in this Master Resolution and any Supplement; (ii) the Board of Directors makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for Parity Debt the Net Revenues for the Fiscal Year after disaggregation will be equal to at least 1.25 times the average Annual Debt Service Requirements and each Rating Agency then maintaining a rating, if any, on any Parity Debt delivers a letter to the District to the effect that such disaggregation will not cause the Rating Agency to withdraw or lower any rating then in effect on such Parity Debt.

Section 7. ISSUANCE OF PARITY DEBT. (a) General. The District reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by State law, including the refunding of Parity Debt, Subordinated Debt, or other obligations of the District issued to finance the costs of a project authorized to be financed under the Financing Program, pursuant to the provisions of this Master Resolution and Supplements to be hereafter authorized. The District hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Parity Debt.

(b) Parity Debt. Provided that the District is in compliance with the requirements of any then applicable provisions of State law, the District may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt if, in the applicable Supplement, the District finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the District shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the District an Officer's Certificate stating that, to the best of his or her knowledge, the District, has not failed to comply with the covenants contained in this Master Resolution and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof or under any Credit Agreement that constitutes Parity Debt and (ii) the Chief Financial Officer signs and delivers to the District a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Debt, the Net Earnings were, in the opinion thereof, at least equal to the Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt to be outstanding after the issuance of the then proposed Parity Debt.

In making a determination of Net Earnings for any of the purposes described in this Section, the Chief Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Utility System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the Utility System for the period of time covered by said Chief Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Chief Financial Officer's certificate or opinion.

As used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the Utility System after deducting the Maintenance and Operating Expenses of the Utility System but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(c) Credit Agreements. To the extent permitted by law, the District may execute and deliver one or more Credit Agreements (i) upon the delivery to the District of the Chief Financial Officer's Certificate to the effect that the Credit Agreement is in the best interest of the District and (ii) compliance with the requirements of subsection (b) or (c) of this section, as the case may be, if the Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the District, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt.

(d) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the District in accordance with State law.

Section 8. WAIVER OF CERTAIN COVENANTS. The District may omit in any particular instance to comply with any covenant or condition set forth in Sections 6 and 7 hereof if before or after the time for such compliance the Holders of the same percentage in Outstanding Principal Amount, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the District and the duties of the District in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the District may determine in each Supplement the treatment of who may act as an "owner," "Holder," or "Bondholder" and other matters relating to such Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the District contained in this Master Resolution and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Utility System and the District to the full extent authorized or permitted by State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board of Directors or agent or employee of the District in his or her individual capacity and neither the members of the Board of Directors, nor any officer, employee, or agent of the District shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the District payable from the Security and the owners of Parity Debt shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than those specified in this Master Resolution or any Supplement. The obligation of the District to pay or cause to be paid the amounts payable under this Master Resolution and each Supplement out of the Security shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the District might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is outstanding.

Section 11. DEFAULTS AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this Master Resolution is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any Debt 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 Debt, including, but not limited to, their prospect or ability to be repaid in accordance with this Master Resolution, 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 Master Resolution, 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 Debt 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 Debt or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Master Resolution, the right to accelerate the Debt shall not be available as a remedy under this Master Resolution.

(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 Debt authorized under this Master Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Master Resolution 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 Master Resolution, or because of any Event of Default or alleged Event of Default under this Master Resolution.

Section 12. DEFEASANCE OF PARITY DEBT. Each Supplement authorizing Parity Debt may provide by its respective terms the circumstances and conditions under which such Parity Debt may be considered Defeased Debt.

Section 13. AMENDMENT OF MASTER RESOLUTION. (a) Amendment Without Consent. This Master Resolution and the rights and obligations of the District and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the District contained in this Master Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District in this Master Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Master Resolution, upon receipt by the District of an approving Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Master Resolution;

(iii) To supplement the Security for the Outstanding Parity Debt in accordance with the State law;

(iv) To make such other changes in the provisions hereof as the District may deem necessary or desirable and which shall not, in the judgment of the District, materially adversely affect the interests of the owners of Outstanding Parity Debt;

(v) To make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the owners of the Outstanding Parity Debt.

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of this Master Resolution, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Master Resolution which may be deemed necessary or desirable by the District; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the District to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in this Master Resolution so as to:

(i) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or

(ii) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or

(iv) Make any change in the maturity of any Outstanding Parity Debt; or

(v) Reduce the rate of interest borne by any Outstanding Parity Debt; or

(vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or

(vii) Modify the terms of payment of the amounts required to meet any financial obligations of the District relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or

(viii) Amend this subsection (b) of this Section.

(c) Notice. If at any time the District shall desire to amend this Master Resolution pursuant to subsection (b) of this Section, the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. 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 each Registrar for any Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the District gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Parity Debt.

(d) Receipt of Consents. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the District shall receive an instrument or instruments executed by all of the owners or the owners of a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the District of any resolution to amend this Master Resolution pursuant to the provisions of this Section, this Master Resolution shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the District and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under this Master Resolution, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the District, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by an owner at the time of and in connection with the initial sale or incurrence of an issue or series Parity Debt by the District shall be irrevocable.

(g) Ownership. For the purpose of this Section, the District may determine in each Supplement the treatment of who may act as an "owner," "Holder," or "Bondholder" and other matters relating to all Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the District to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

Excerpted Provisions of the Second Supplement

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Section 1.02. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. (a) Second Supplement. By adoption of the Master Resolution, the District has established the Brushy Creek Municipal Utility District Utility System Revenue Financing Program for the purpose of enabling the District to provide for the financing of projects authorized by applicable provisions of State law pursuant to which the District may issue and enter into obligations, including bonds, notes and other types of obligations, secured by and payable from a pledge of and lien on all or part of the Security. This Second Supplement provides for the authorization, form, characteristics, provisions of payment and redemption, and security of the Bonds. This Second Supplement is subject to the terms of the Master Resolution and the terms of the Master Resolution are incorporated herein by reference and as such are made a part hereof for all purposes.

(b) Bonds are Parity Debt. As required by Section 7 of the Master Resolution governing the issuance of Parity Debt such as the Bonds, the District hereby finds that, upon the issuance of the Bonds, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. The Bonds are hereby declared to be Parity Debt under the Master Resolution.

Section 1.03. SECOND SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Second Supplement shall be deemed to be and shall constitute a contract between the District and the Owners of the Bonds, and the pledge made in this Second Supplement by the District and the covenants and agreements set forth in this Second Supplement to be performed by the District shall be for the equal and proportionate benefit, security, and protection of the Owners of the Bonds, without preference, priority, or distinction as to security or otherwise.

Section 1.04. LIMITATION OF BENEFITS WITH RESPECT TO THIS SECOND SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Second Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the District, the Owners, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Second Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Second Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the District, the Owners, and the Paying Agent/Registrar as herein and therein provided.

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Section 4.01. **PAYMENTS.** (a) Accrued and Capitalized Interest. Immediately after the delivery of the Bonds the District shall deposit any accrued interest and any sale proceeds to be used to pay capitalized interest received from the sale and delivery of such Bonds to the credit of the Interest and Sinking Account to be held to pay interest on such Bonds.

(b) Debt Service Payments. Semiannually on or before each principal or interest payment date while any of the Bonds is outstanding and unpaid, commencing on the first interest payment date for the Bonds, the District shall make available from the Interest and Sinking Account to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the District with an appropriate certificate of cancellation.

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Section 4.03. **RESERVE ACCOUNT**. (a) To accumulate and maintain a reserve for the payment of the Bonds equal to the Average Annual Debt Service Requirements of the Bonds (calculated by the District at the beginning of each Fiscal Year) (the "Required Reserve Amount"), the Reserve Account has been established and shall be maintained by the District. Earnings and income derived from the investment of amounts held for the credit of the Reserve Account shall be retained in the Reserve Account until the Reserve Account contains the Required Reserve Amount; thereafter, such earnings and income shall be deposited to the credit of the System Account. The District shall deposit and credit to the Reserve Account amounts required to maintain the balance in the Reserve Account in an amount equal to the Required Reserve Amount by making monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve Amount or by the deposit of a Reserve Account Obligation. There shall be deposited into the Reserve Account any Reserve Account Obligations so designated by the District. All funds, investments and Reserve Account Obligations on deposit and credited to the Reserve Account shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Account Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds. The Reserve Account is solely for the benefit of this series of Bonds and is not available to pay Annual Debt Service Requirements on any other Parity Debt.

(b) When and for so long as the cash, investments and Reserve Account Obligations in the Reserve Account equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Account; but, if and when the Reserve Account at any time contains less than the Required Reserve Amount, the District covenants and agrees that the District shall cure the deficiency in the Reserve Account by resuming the deposits to such Account from the Pledged Revenues by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve Amount with any such deficiency payments being made on or before each interest payment date until the Required Reserve Amount has been fully restored; provided, however, that no such deposits shall be made into the Reserve Account during any six month period beginning on an interest payment date until there has been deposited into the Interest and Sinking Account the full amount required to be deposited therein by the next following semi-annual payment date, as the case may be. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Account Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the System Account, but subject to making the full deposits and credits to the Interest and Sinking Account required to be made by the next following interest payment date, as the case may be. The District further covenants and agrees that, subject only to the prior deposits and credits to be made to the Interest and Sinking Account, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Account Obligation Payments when due, and to cure any deficiency in such amounts as required by the terms of this Second Supplement.

During such time as the Reserve Account contains the Required Reserve Amount, the obligation to maintain the Required Reserve Amount has been suspended pursuant to subsection (d) below or any cash is replaced with a Reserve Account Obligation pursuant to subsection (c) below, the District may, at its option, withdraw all surplus funds in the Reserve Account and deposit such surplus in the Interest and Sinking Account or otherwise use such amount in any manner permitted by law unless such surplus is required to be rebated in which case such event shall be deposited into the Rebate Account.

(c) A Reserve Account Obligation issued in an amount equal to all or part of the Required Reserve Amount for the Bonds may be used in lieu of depositing cash into the Reserve Account. In addition, a Reserve Account Obligation may be substituted for monies and investments in the Reserve Account if the substitution of the Reserve Account Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any rating agency to be lowered and the resolution authorizing the substitution of the Reserve Account Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective.

(d) Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Required Reserve Amount in the Reserve Account shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.40 times the average Annual Debt Service Requirements. In the event that the Net Revenues for any Fiscal Year are less than 1.40 times the average Annual Debt Service Requirements, the District will be required to commence making Required Reserve Account Deposits, as provided in subsection (b) above, and to continue such Required Reserve Account Deposits until the earlier of (i) such time as the Reserve Account contains the Required Reserve Amount or (ii) the Net Revenues in each of two consecutive years have been equal to not less than 1.40 times the average Annual Debt Service Requirements. Notwithstanding the provisions of Section 4.03(a) of this section, if the District commences deposits in the Reserve Account and later is authorized to suspend payments into the fund under this section any funds so accumulated may, at the discretion of the District: (i) remain in the Reserve Account or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds.

(e) A Reserve Account Obligation permitted under (a) above, must be in the form of a surety bond or insurance policy meeting the requirements described below.

(1) (i) A surety bond or insurance policy issued to the Paying Agent/Registrar, as agent of the Holders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa," respectively, by S&P and Moody's, or (ii) a surety bond or insurance policy issued to the Paying Agent/Registrar, as agent of the Holders, by an entity other than a municipal bond insurer, if the form and substance of such instrument and the issuer thereof shall be approved in writing by each Bond Insurer of record.

(2) The obligation to reimburse the issuer of a Reserve Account Obligation for any claims or draws upon such Reserve Account Obligation in accordance with its terms, including expenses incurred in connection with such claims or draws, to the extent permitted by law, (a Reserve Account Obligation Payment) shall be made from the deposits made to the Reserve Account as provided in this Section. The Reserve Account Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account Obligation to reimbursement will be subordinated to the cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Account Obligation becomes insolvent, or (b) the issuer of a Reserve Account Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below "AAA" or "Aaa," by S&P and Moody's, respectively, the obligation to reimburse the issuer of the Reserve Account Obligation shall be subordinated to the cash replenishment of the Reserve Account.

(3) In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AAA" or "Aaa," by S&P and Moody's, respectively, the District shall either (i) deposit into the Reserve Account, in accordance with this Section, an amount sufficient to cause the cash or investments credited to the Reserve Account to accumulate to the Required Reserve Amount, or (ii) replace such instrument with a surety bond or insurance policy meeting the requirements of 1 and 2 above, within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" by S&P and Moody's, or (b) the issuer of the Reserve Account Obligation defaults in its payment obligations hereunder, or (c) the issuer of the Reserve Account Obligation becomes insolvent, the District shall either (i) deposit into the Reserve Account, in accordance with this Section, amounts sufficient to cause the cash or investments on deposit in the Reserve Account to accumulate to the Required Reserve Amount, or (ii) replace such instrument with a surety bond or insurance policy meeting the requirements of 1 and 2 above within six months of such occurrence.

(4) The Paying Agent/Registrar shall ascertain the necessity for a claim or draw upon any Reserve Account Obligation and provide notice to the issuer of the Reserve Account Obligation in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Account Obligation, ensure payment under the Reserve Account Obligation on or before the interest payment date) prior to each date upon which the principal of or interest on the Parity Obligations will be due.

It is recognized that a Reserve Account Obligation may be issued which is payable only with respect to a part of the Bonds with the remainder of the Required Reserve Amount being satisfied by monies and investments and in that case any draws upon the Reserve Account will have to be made on a pro-rata basis. Therefore, (i) draws upon one or more such Reserve Account Obligations shall be made on a pro-rata basis with cash and investments available in the Reserve Account and (ii) deposits and credits to the Reserve Account to restore it to the Required Reserve Amount shall be utilized on a pro-rata basis to pay Reserve Account Obligation Payments to reimburse the issuers of the Reserve Account Obligations, thus restoring that part of the Required Reserve Amount, and to restore with cash and investments the balance of the Required Reserve Amount.

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Section 6.01. AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF OWNERS OF BONDS. Subject to the provisions of the Master Resolution, this Second Supplement and the rights and obligations of the District and of the Owners of the Outstanding Bonds may be modified or amended at any time without notice to or the consent of any Owner of the Bonds or any other Parity Debt, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the District contained in this Second Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District in this Second Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Second Supplement, upon receipt by the District of an Opinion of Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Second Supplement;

(iii) To supplement the Security for the Bonds;

(iv) To make such other changes in the provisions hereof, as the District may deem necessary or desirable and which shall not, in the judgment of the District, materially adversely affect the interests of the Owners of the Outstanding Bonds;

(v) To make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of the Bonds, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the Owners of the Outstanding Bonds; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate the Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the District, materially adversely affect the interests of the Owners of the Outstanding Bonds.

Section 6.02. AMENDMENTS OR MODIFICATIONS WITH CONSENT OF OWNERS OF BONDS. (a) Amendments. Subject to the other provisions of this Second Supplement and the Master Resolution, the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Section 6.01 hereof, to this Second Supplement that may be deemed necessary or desirable by the District, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the Owner of all of the Outstanding Bonds, the amendment of the terms and conditions in this Second Supplement or in the Bonds so as to:

(i) Make any change in the maturity of the Outstanding Bonds;

(ii) Reduce the rate of interest borne by Outstanding Bonds;

(iii) Reduce the amount of the principal payable on Outstanding Bonds;

(iv) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;

(v) Affect the rights of the Owners of less than all Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

(b) Notice. If at any time the District shall desire to amend this Second Supplement pursuant to Subsection (a), the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. 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 Paying Agent/Registrar for inspection by all Owners of Bonds. Such publication is not required, however, if the District gives or causes to be given such notice in writing to each Owner of Bonds. A copy of such notice shall be provided in writing to each rating agency maintaining a rating on the Bonds and to the Bond Insurer.

(c) Receipt of Consents. Whenever at any time the District shall receive an instrument or instruments executed by the Owner of the Outstanding Bonds aggregating a majority in Outstanding Principal Amount, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(d) Consent Irrevocable. Any consent given by any Owner pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication or other service of the notice provided for in this

Section and shall be conclusive and binding upon all future Owners of the same Bonds during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the District, but such revocation shall not be effective if the Owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount prior to the attempted revocation consented to and approved the amendment. Notwithstanding the foregoing, any consent given at the time of and in connection with the initial purchase of Bonds shall be irrevocable.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the Security Register kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 6.03. EFFECT OF AMENDMENTS. Upon the adoption by the District of any resolution to amend this Second Supplement pursuant to the provisions of this Article, this Second Supplement shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the District and all the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Second Supplement, as amended.

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Section 7.03. DEFEASANCE OF BONDS. (a) Deemed Paid. The principal of and/or the interest and redemption premium, if any, on any Bonds shall be deemed to be Defeased Debt within the meaning of the Master Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bonds, 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 the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Bonds 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 for such Bonds or an eligible trust company or commercial bank for the payment of its services until all Defeased Debt shall have become due and payable or (3) any combination of (1) and (2). At such time as Bonds shall be deemed to be a Defeased Debt hereunder, as aforesaid, such Bonds and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Security as provided in the Master Resolution and this Second Supplement, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investments. The deposit under clause (ii) of subsection (a) of this Section shall be deemed a payment of Bonds as aforesaid when proper notice of redemption of such Bonds shall have been given or upon the establishment of irrevocable provisions for the giving of such notice, in accordance with the Master Resolution and this Second Supplement. Any money so deposited with the Paying Agent/Registrar for such Bonds or an eligible trust company or commercial bank as provided in this Section may at the discretion of the District 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 for such Bonds or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bonds and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be remitted to the District for deposit to the General Account of the System Account.

(c) Continuing Duty of Paying Agent and Registrar. Notwithstanding any provision of any other Section of this Second Supplement 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 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 Debt shall have become due and payable, the Paying Agent/Registrar for such Defeased Debt shall perform the services of Paying Agent/Registrar for such Defeased Debt 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 Second Supplement.

(d) Amendment of this Section. Notwithstanding anything elsewhere in this Second Supplement, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar for such Bonds 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 Bonds affected thereby.

(e) Retention of Rights. Notwithstanding the provisions of subsection (a) of this Section, to the extent that, upon the defeasance of any Defeased Debt to be paid at its maturity, the District retains the right under State law to later call that Defeased Debt for redemption in accordance with the provisions of this Second Supplement relating to the Defeased Debt, the District may call such Defeased Debt for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions of subsection (a) of this Section with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

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Section 7.08. **EFFECT OF SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS.** Whenever this Second Supplement requires any action to be taken on a Saturday, Sunday, or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Second Supplement the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

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Section 7.12. **DEFAULT AND REMEDIES**. (a) Events of Default. Each of the following occurrences or events for the purpose of this Second Supplement 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 Second Supplement, 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 Second Supplement, 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 Second Supplement, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Second Supplement.

(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 Bonds authorized under this Second Supplement, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Second Supplement 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 of the District.

(iv) None of the members of the Board of Directors of the District, 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 Second Supplement, or because of any Event of Default or alleged Event of Default under this Second Supplement.

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Section 7.14. **INDIVIDUALS NOT LIABLE.** All covenants, stipulations, obligations, and agreements of the District contained in this Second Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Utility System and the District to the full extent authorized or permitted by State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board of Directors of the District or agent or employee of the District in his or her individual capacity and neither the members of the Board of Directors of the District, nor any officer, employee, or agent of the District shall be liable personally on the Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

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"), (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) 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 C – Form of Bond Counsel's Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. 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 the covenants and the requirements described in the preceding paragraph, 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 is 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 accrual period and ratably within each such accrual 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed 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.

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

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CONTINUING DISCLOSURE OF INFORMATION

The District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, not in excess of 10 business days after the event's occurrence, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT INFORMATION," "FINANCIAL INFORMATION," and in APPENDIX B. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements of the District, if the District commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within 12 months after the fiscal year end, 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 on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by the Rule, which includes debt, debt-like and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Court or in any other proceeding under state or federal law in which a court of 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 of the District in possession but subject to the supervision and orders of a court of 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.

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term "Financial Obligation" is defined in the Bond Resolution to mean (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, and existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Resolution further provides that the District intends the words in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 29, 2018.

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 the agreement described above under "– Annual Reports."

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

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

Limitations and Amendments . . . The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the 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 a purchaser 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 a 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 Purchaser 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 reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings . . . For the past five years, the District has been in material compliance with its continuing disclosure agreements each year in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

Rating . . . The Bonds have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Litigation . . . It is the opinion of General Counsel for the District and District Staff that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

Registration and Qualification of Bonds for Sale . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

Legal investments and Eligibility to Secure Public Funds in Texas . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions . . . The District will furnish the Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding special obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C – Form of Bond Counsel's Opinion."

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "THE BONDS" (except for the subcaption "Book-Entry-Only-System"), "SECURITY FOR THE BONDS," "SELECTED PROVISIONS OF THE MASTER RESOLUTION AND SECOND SUPPLEMENT," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION – Legal Opinions" (except for the last sentence of the second paragraph) to determine that the information relating to the Bonds and the Bond Resolution contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System.

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.

Financial Advisor . . . Specialized Public Finance Inc. is employed 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

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

Purchaser . . . After requesting competitive bids for the Bonds, the District accepted the bid of ___________________ (the "Purchaser" or "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of approximately _____% of par. The initial reoffering price to the public by the Purchaser, produces compensation to the Purchaser of $_______________. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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 and Official Statement to potential customers who request the same pursuant to 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, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all 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.

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

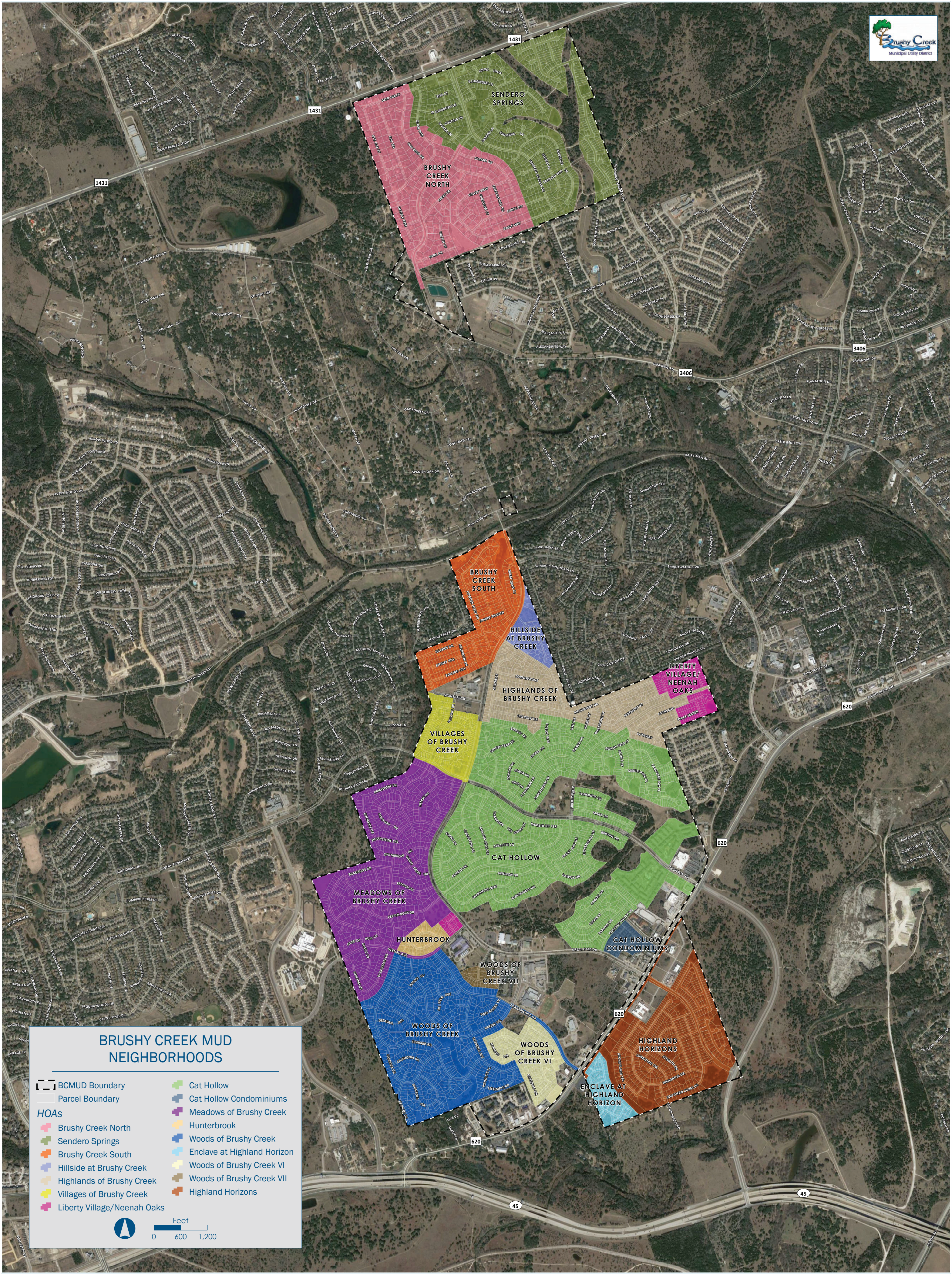
This Official Statement was approved by the Board of Directors of Brushy Creek Municipal Utility District, as of the date shown on the cover page.

President
Brushy Creek Municipal Utility District

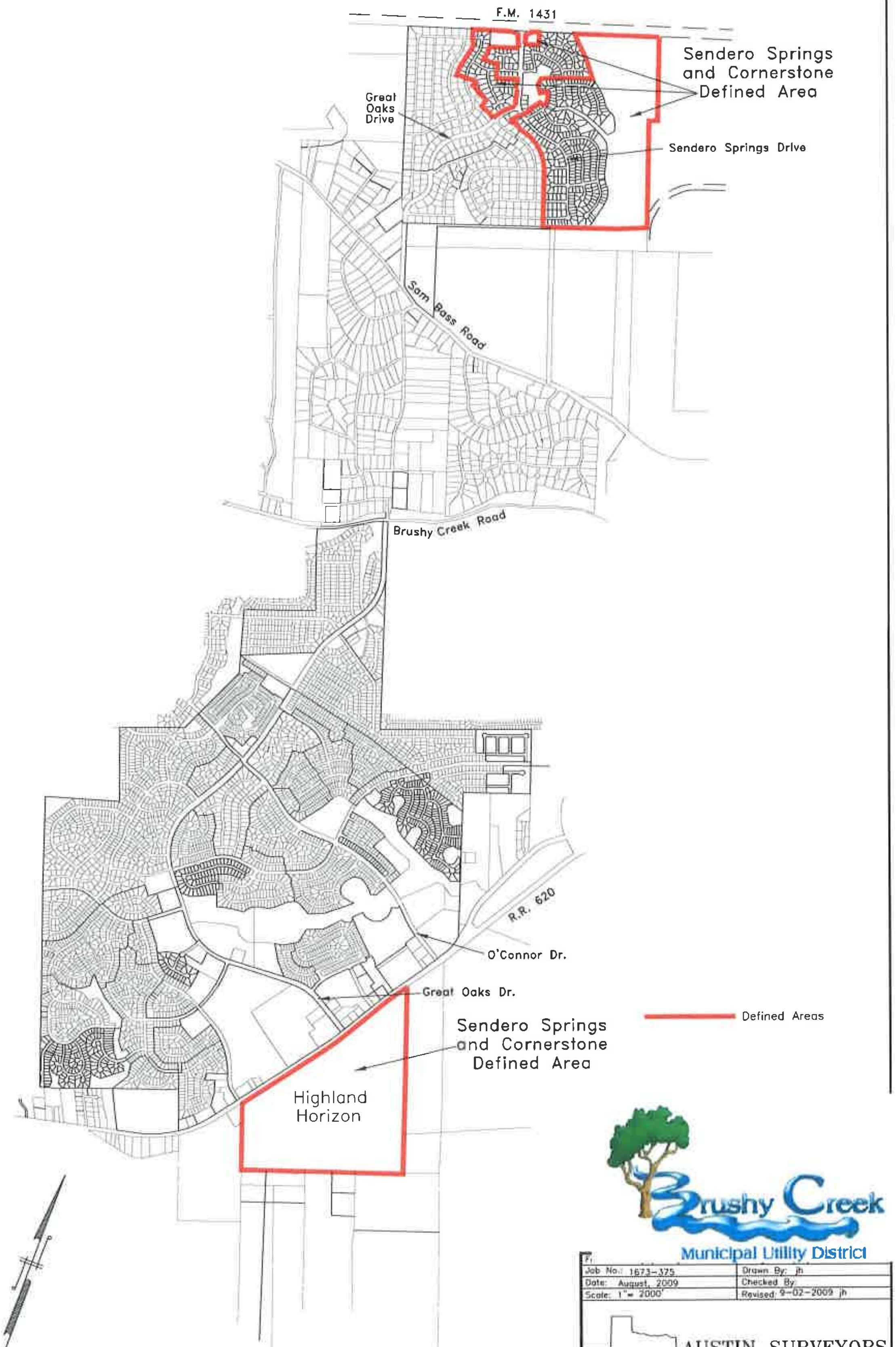
ATTEST:

Secretary
Brushy Creek Municipal Utility District

LOCATION MAP


Brushy Creek Municipal Utility District
BRUSHY CREEK MUD NEIGHBORHOODS
BCMUD Boundary
Parcel Boundary
HOAs
Brushy Creek North
Sendero Springs
Brushy Creek South
Hillside at Brushy Creek
Highlands of Brushy Creek
Villages of Brushy Creek
Liberty Village/Neenah Oaks
Cat Hollow
Cat Hollow Condominiums
Meadows of Brushy Creek
Hunterbrook
Woods of Brushy Creek
Enclave at Highland Horizon
Woods of Brushy Creek VI
Woods of Brushy Creek VII
Highland Horizons
Feet
0 600 1,200
SENDERO SPRINGS
BRUSHY CREEK NORTH
BRUSHY CREEK SOUTH
HILLSIDE AT BRUSHY CREEK
LIBERTY VILLAGE/ NEENAH OAKS
HIGHLANDS OF BRUSHY CREEK
VILLAGES OF BRUSHY CREEK
CAT HOLLOW
MEADOWS OF BRUSHY CREEK
HUNTERBROOK
CAT HOLLOW CONDOMINIUMS
WOODS OF BRUSHY CREEK VII
WOODS OF BRUSHY CREEK
WOODS OF BRUSHY CREEK VI
HIGHLAND HORIZONS
ENCLAVE AT HIGHLAND HORIZON
1431
3406
620
45

Plat showing the Sendero Springs and Cornerstone Defined Area
Brushy Creek Municipal Utility District in Williamson County, Texas



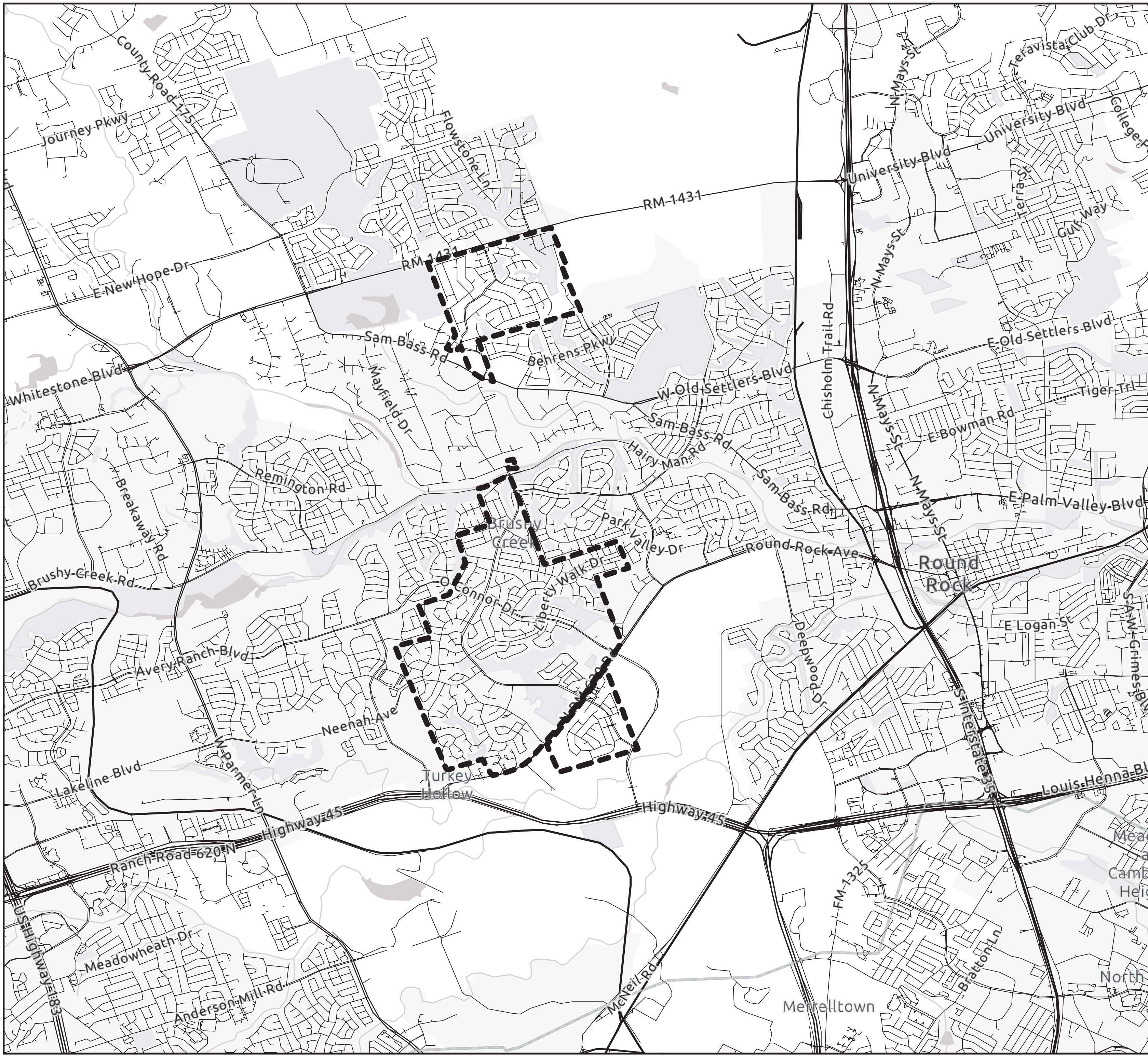
Brushy Creek Municipal Utility District

Job No.: 1673-375	Drawn By: jh
Date: August, 2009	Checked By:
Scale: 1" = 2000'	Revised: 9-02-2009 jh

AUSTIN SURVEYORS
2105 Justin Lane #103
Austin, Texas 78757
512-454-6605

© Austin Surveyors 2009

G:\Work\1672 BC MUD\1673-P-DA.dwg, 9/10/2009 8:26:42 AM, 1:2000



Brushy Creek Municipal Utility District
Vicinity Map

0 2,375 4,750 9,500 Feet

Jones - Heroy & Associates, Inc.
13915 N. Mopac Expy
Suite 200
Austin, Texas 78728
Office: (512) 989-2200
Fax: (512) 989-2213
TBPE Reg. Firm F-006320

N E S W

Project Name:
Brushy Creek MUD
Vicinity Map
Project Number:
JHA 0146-009
Date:
March 2026

Legend

District Boundary

Sheet 1 of 1

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT . . . At creation, the District encompassed approximately 725.13 acres of land. Subsequent annexations have increased the size of the District to 2,273.06 non-contiguous acres. The main portion of the District (southern) is located approximately four miles west of Interstate 35 and primarily on the north side of FM 620. The northern portion of the District is located approximately three miles west of Interstate 35 on the south of FM 1431. The District is located approximately 1.5 miles west of the City of Round Rock (City) and 19 miles north of the City of Austin. 416.683 acres within the District are contained within the Sendero Springs and Cornerstone Defined Areas. The District lies wholly within the extraterritorial jurisdiction of the City of Round Rock and entirely within Williamson County. **The District has not pledged monies to be raised from taxation to the payment of the Bonds.**

The District's parks system has grown significantly during its over 30-year history. The District parks and greenbelts include Brushy Creek North Park, Little Village Park, Cat Hollow Park, Creekside Park, Community Park, Highland Horizon Park, Pepper Rock Park, Racine Woods Park (also known as Sink Hole Park), Sendero Springs Park, Shirley McDonald Park (duck pond), Sendero Springs Greenbelt, the Woods Greenbelt, Liberty Walk Greenbelt, Community Park Greenbelt, and Wildcat Trail. The District has over nine miles of trails and an 18-hole disc golf course.

The District also operates four public swimming pools, Cat Hollow, Creekside, Highland Horizon, and Sendero Springs. The Sendero Springs and Highland Horizon pools are open year-round and are heated in the winter months.

APPENDIX B

EXCERPTS FROM THE
BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
FINANCIAL AUDIT REPORT

For the Year Ended September 30, 2025

The information contained in this APPENDIX consists of excerpts from the Brushy Creek Municipal Utility District Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

Independent Auditors' Report

To the Board of Directors of
Brushy Creek Municipal Utility District:

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

AUSTIN
401 Congress Avenue, Suite 2000, Austin, TX 78701

ROUND ROCK
411 West Main Street, Suite 300, Round Rock, TX 78664

P: 512-370-3200
F: 512-370-3250

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios, the schedule of district contributions to TCDRS, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplemental information required by the TCEQ and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the other information listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke & Ritter LLP

Austin, Texas
January 22, 2026

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Brushy Creek Municipal Utility District (the "District") offers the following narrative on the financial performance of the District as of and for the year ended September 30, 2025. Please read it in connection with the District's financial statements that follow.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "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.

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*

The report also includes required supplementary information, supplemental information, other supplemental information, and reporting required by *Government Auditing Standards* and the Uniform Guidance.

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 final 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.*

Required supplementary information related to the District's participation in the Texas County and District Retirement System pension plan, schedules required by the Texas Commission on Environmental Quality, other supplemental information, and reporting required by *Government Auditing Standards* and the Uniform Guidance are presented immediately following the *Notes to Basic Financial Statements.*

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2025	2024	% Change
Current and other assets	$ 44,894,892	$ 42,722,041	5%
Capital assets, net	52,462,002	48,424,635	8%
Total assets	97,356,894	91,146,676	7%
Deferred outflows of resources	589,703	702,659	(16%)
Current liabilities	7,711,215	6,800,612	13%
Long-term liabilities	16,124,394	20,442,152	(21%)
Total liabilities	23,835,609	27,242,764	(13%)
Deferred inflows of resources	984,138	976,681	1%
Net investment in capital assets	34,275,337	26,860,950	28%
Restricted	4,001,770	3,993,894	<1%
Unrestricted	34,849,743	32,775,046	6%
Total net position	$ 73,126,850	$ 63,629,890	15%

The District's total assets were approximately $97.4 million as of September 30, 2025. Of this amount, approximately $52.5 million is accounted for by capital assets. The District had outstanding liabilities of approximately $23.8 million of which $19.6 million represent bonds payable.

Statement of Activities

	Governmental Activities		
	2025	2024	% Change
Water, wastewater and garbage	$ 9,199,132	$ 8,902,450	3%
Property taxes	12,828,034	13,076,526	(2%)
Parks and recreation fees	2,519,471	2,616,917	(4%)
Investment earnings	1,662,718	2,205,910	(25%)
Grant revenue	3,079,130	321,461	858%
Other	1,645,386	469,624	250%
Total Revenues	30,933,871	27,592,888	12%
Water, wastewater and garbage	3,473,193	3,475,089	(<1%)
Salary and related expenditures	7,869,369	7,158,783	10%
Administrative	380,655	422,933	(10%)
Repairs and maintenance	1,536,247	1,120,808	37%
Utilities	703,931	660,444	7%
Professional fees	690,280	705,070	(2%)
Contracted services	1,068,070	966,505	11%
Other	1,491,118	1,207,859	23%
Debt service	500,615	611,200	(18%)
Depreciation	3,723,433	3,786,201	(2%)
Total Expenses	21,436,911	20,114,892	7%
Change in net position	9,496,960	7,477,996	27%
Beginning net position	63,629,890	56,151,894	13%
Ending net position	$ 73,126,850	$ 63,629,890	15%

Sources of Revenue	Percentage
Property taxes	42%
Water, wastewater, and garbage	30%
Grant revenue	10%
Parks and recreation fees	8%
Investment earnings	5%
Other	5%

The District's net property tax assessed values increased by approximately $129.4 million or 4% from approximately $2.93 billion to approximately $3.05 billion for District-wide and increased approximately $50.5 million or 7% from approximately $723.9 million to approximately $774.4 million for the Defined Area. The tax rate is set after reviewing operations and maintenance requirements, interest and sinking fund requirements, and proposed water and wastewater rates. The District-wide rate decreased from $0.419543 to $0.401653 per $100 of assessed value while the Defined Area decreased from $0.115 to $0.100 per $100 of assessed value.

Operating revenues increased by approximately $3.3 million to approximately $30.9 million for the fiscal year ended September 30, 2025. Water, wastewater and garbage provided approximately $9.2 million, and property taxes generated approximately $12.8 million in revenues. Total expenses increased approximately $1.3 million to approximately $21.4 million for the fiscal year ended September 30, 2025. Net position increased approximately $9.5 million and $7.5 million for fiscal years ended September 30, 2025 and 2024, respectively.

Analysis of Governmental Funds

Governmental Funds by Year

	2025	2024
Cash	$ 1,881,568	$ 850,817
Investments	39,396,549	38,651,838
Receivables	1,653,346	1,634,737
Due from other funds	238,251	57,352
Prepaids and other assets	131,470	95,613
Total assets	$ 43,301,184	$ 41,290,357
Accounts payable	$ 1,576,510	$ 1,256,157
Customer deposits	696,321	689,266
Other liabilities	499,913	457,504
Due to other funds	238,251	57,352
Unearned revenue	101,911	186,258
Retainage payable	500,320	32,146
Total liabilities	3,613,226	2,678,683
Deferred inflows of resources	151,988	178,195
Nonspendable	131,470	95,613
Restricted	5,868,169	6,590,084
Committed	480,866	2,612,500
Assigned	12,775,193	13,745,810
Unassigned	20,280,272	15,389,472
Total fund balances	39,535,970	38,433,479
Total liabilities, deferred inflows of resources, and fund balances	$ 43,301,184	$ 41,290,357

The *General Fund* pays for daily operating expenditures. When comparing actual to final budget, actual revenues were more than the final budgeted revenues primarily due to other revenues and investment earnings being higher than budgeted. Expenditures were less than budgeted primarily due to less capital outlay expenditures than budgeted. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements.*

The Board of Directors (the "Board") committed $480,866 and assigned $12,775,193 of General Fund fund balance for specific future projects, of which most are expected to occur after fiscal year 2025. This is a $3.1 million decrease from the amount of projects committed and assigned for specific future projects at the end of fiscal year 2024. Included in the assigned fund balance is $9,626,934 that is reported as *Subsequent fiscal year budget deficit* which represents management's commitment to utilize funds set aside in prior years for the next fiscal cycle.

The Board has approved a resolution for a six-month operating reserve and a revenue protection reserve, which are reported within unassigned fund balance at year-end. Unassigned fund balance is comprised of the following as of September 30, 2025:

Unassigned Fund Balance:		
Operating reserve	$	10,914,184
Revenue protection reserve		4,307,051
Remaining unassigned fund balance		5,059,037
Total unassigned fund balance	$	20,280,272

The *Debt Service Fund* remitted bond principal of approximately $3.4 million and interest of approximately $0.6 million during the year ended September 30, 2025. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements.*

The *Capital Projects Fund* primarily purchases the District's infrastructure. There was approximately $0.9 million in expenditures for the year ended September 30, 2025.

Capital Assets and Long-Term Debt Activity

Capital Assets

		2025		2024
Land	$	2,676,333	$	2,676,333
Construction in progress		9,163,539		1,996,709
Water, wastewater, and drainage systems		87,424,226		87,424,226
Easements and rights-of-way		883,890		883,890
Buildings and improvements		14,280,225		14,381,422
Furniture and office equipment		3,740,460		3,475,345
Parks and recreational amenities		13,203,897		13,178,994
Vehicles and equipment		1,139,262		968,474
Subtotal		132,511,832		124,985,393
Accumulated depreciation		(80,049,830)		(76,560,758)
Total	$	52,462,002	$	48,424,635

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

Long-Term Debt Activity

		2025		2024
Current portion	$	4,130,000	$	3,915,000
Long term portion		15,455,000		19,585,000
Total	$	19,585,000	$	23,500,000

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

Currently Known Facts, Decisions, or Conditions

The adopted budget for fiscal year 2026 projects a decrease in revenue of approximately $2.6 million compared to the fiscal year 2025 final operating budget and a decrease in expenditures of approximately $3.3 million from the fiscal year 2025 final operating budget.

The amount of assessed value of property within the District-wide area for the 2025 tax year (September 30, 2026 fiscal year) is approximately $3.2 billion and the tax rate levied was $0.386837 per $100 of assessed valuation consisting of $0.301837 per $100 of assessed valuation for maintenance and operations and $0.085000 per $100 of assessed valuation for debt service. The amount of assessed value of property within the Defined Area for the 2025 tax year is approximately $828 million and the tax rate levied was $0.090000 per $100 of assessed valuation.

Brazos River Authority

The Williamson County Regional Raw Water Line (WCRRWL) is undergoing a comprehensive inspection and preliminary Phase III pump engineering design to prepare for the installation of the final phase of pumps (Phase 3) that will bring the system up to its ultimate capacity. The design phase is anticipated to be completed by the end of 2026. The total project cost is estimated at approximately $68.7 million with the District responsible for 6.54% of the ultimate costs. This project's construction phase will be funded by debt to be issued at a later date.

Texas Property Tax Reform and Transparency Act of 2019

The Texas Property Tax Reform and Transparency Act of 2019 and its effect on property taxes impacted the District as it became subject to a Voter Approval Tax rate limitation of 3.5% (for maintenance and operations tax), similar to cities and other taxing units. The prior voter approval rate, previously known as the rollback rate, was set at 8%. If the 3.5% is exceeded, the District must hold a mandatory election whereas under the old law, a petition was required.

American Rescue Plan Act Funding

During 2022, the District and Williamson County entered into a subrecipient agreement related to funding received by Williamson County from the American Rescue Plan Act. The subrecipient agreement provides for funding of water projects with a maximum funding amount to the District of $4,000,000. The eligible projects were 1) Clean Water: Centralized Wastewater Collection and Conveyance; 2) Drinking Water: Treatment; and 3) Drinking Water: Source. The District is responsible for funding the entire design cost and any and all construction project costs in excess of $4,000,000. The District has entered into contracts for construction before December 31, 2024 as required by the subrecipient agreement. The District did incur costs subject to reimbursement from the subrecipient agreement that exceeded the threshold to require a Single Audit for the year ended September 30, 2025, and a Single Audit was performed over the program funded by the subrecipient agreement. It is currently unknown whether the District will exceed the Single Audit threshold for the year ended September 30, 2026.

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 Brushy Creek Municipal Utility District, 16318 Great Oaks Drive, Round Rock, Texas 78681 or PublicInformation@bcmud.org.

Brushy Creek Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Net Position
Assets:						
Cash and investments:						
Cash	$ 1,881,568	-	-	1,881,568	-	1,881,568
Investments	34,244,648	2,488,912	1,946,942	38,680,502	-	38,680,502
Receivables:						
Service accounts, net of allowance for uncollectible accounts of $34,608	1,015,932	-	-	1,015,932	-	1,015,932
Taxes	108,049	43,939	-	151,988	-	151,988
Leases:						
Due within one year	-	-	-	-	63,946	63,946
Due after one year	-	-	-	-	964,810	964,810
Grant	334,537	-	-	334,537	-	334,537
Other	150,889	-	-	150,889	-	150,889
Due from other funds	238,251	-	-	238,251	(238,251)	-
Prepaid items	131,470	-	-	131,470	10,873	142,343
Investments held for customer deposits	716,047	-	-	716,047	-	716,047
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	2,676,333	2,676,333
Construction in progress	-	-	-	-	9,163,539	9,163,539
Water, wastewater and drainage systems	-	-	-	-	22,688,246	22,688,246
Buildings and improvements	-	-	-	-	9,994,273	9,994,273
Furniture and office equipment	-	-	-	-	1,456,887	1,456,887
Park and recreational amenities	-	-	-	-	6,149,053	6,149,053
Vehicles and equipment	-	-	-	-	333,671	333,671
Net pension asset	-	-	-	-	792,330	792,330
Total assets	$ 38,821,391	2,532,851	1,946,942	43,301,184	54,055,710	97,356,894
Deferred outflows of resources:						
Deferred charges on bond refundings	-	-	-	-	220,804	220,804
Pension contributions after measurement date	-	-	-	-	335,121	335,121
Deferred outflows related to pension asset	-	-	-	-	33,778	33,778
Total deferred outflows of resources	-	-	-	-	589,703	589,703
Total assets and deferred outflows of resources	$ 38,821,391	2,532,851	1,946,942	43,301,184	54,645,413	97,946,597

(continued)

Brushy Creek Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Net Position
Liabilities:						
Accounts payable	$ 1,576,510	-	-	1,576,510	-	1,576,510
Retainage payable	500,320	-	-	500,320	-	500,320
Customer deposits	696,321	-	-	696,321	-	696,321
Payroll accruals	416,140	-	-	416,140	-	416,140
Other liabilities	83,773	-	-	83,773	-	83,773
Due to other funds	-	1,264	236,987	238,251	(238,251)	-
Unearned revenue	101,911	-	-	101,911	-	101,911
Bond interest payable	-	-	-	-	200,383	200,383
Long-term liabilities:						
Due within one year	-	-	-	-	4,135,857	4,135,857
Due after one year	-	-	-	-	16,124,394	16,124,394
Total liabilities	3,374,975	1,264	236,987	3,613,226	20,222,383	23,835,609
Deferred inflows of resources:						
Property taxes	108,049	43,939	-	151,988	(151,988)	-
Deferred inflows related to pension asset	-	-	-	-	87,422	87,422
Lease revenues	-	-	-	-	896,716	896,716
Total deferred inflows of resources	108,049	43,939	-	151,988	832,150	984,138
Fund balances/net position:						
Fund balances:						
Nonspendable-						
Prepaid items	131,470	-	-	131,470	(131,470)	-
Restricted for:						
Debt service	575,000	2,487,648	-	3,062,648	(3,062,648)	-
Capital projects	-	-	1,709,955	1,709,955	(1,709,955)	-
Park capital fees	1,095,566	-	-	1,095,566	(1,095,566)	-
Committed for-						
Repair and replacement of capital assets	480,866	-	-	480,866	(480,866)	-
Assigned for:						
Repair and replacement of capital assets	3,148,259	-	-	3,148,259	(3,148,259)	-
Subsequent fiscal year budget deficit (See Note 11)	9,626,934	-	-	9,626,934	(9,626,934)	-
Unassigned	20,280,272	-	-	20,280,272	(20,280,272)	-
Total fund balances	35,338,367	2,487,648	1,709,955	39,535,970	(39,535,970)	-
Total liabilities, deferred inflows of resources and fund balances	$ 38,821,391	2,532,851	1,946,942	43,301,184		
Net position:						
Net investment in capital assets					34,275,337	34,275,337
Restricted for debt service					2,906,204	2,906,204
Restricted for park capital fees					1,095,566	1,095,566
Unrestricted					34,849,743	34,849,743
Total net position					$ 73,126,850	73,126,850

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, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Activities
Revenues:						
Program revenues:						
Water and wastewater services	$ 7,595,062	-	-	7,595,062	-	7,595,062
Parks and recreation fees*	2,519,471	-	-	2,519,471	-	2,519,471
Garbage collection	1,604,070	-	-	1,604,070	-	1,604,070
Capital recovery fees	-	-	91,452	91,452	-	91,452
Parks maintenance fees	356,812	-	-	356,812	-	356,812
Stormwater drainage fees	169,798	-	-	169,798	-	169,798
Emergency management and hazard mitigation fees	29,735	-	-	29,735	-	29,735
Inspection fees	29,090	-	-	29,090	-	29,090
Tap and other connection fees	35,799	-	-	35,799	-	35,799
General revenues:						
Property taxes, including penalties and interest	9,077,485	3,776,756	-	12,854,241	(26,207)	12,828,034
Investment earnings	1,295,745	260,532	106,441	1,662,718	-	1,662,718
Rental income	100,674	-	-	100,674	23,698	124,372
Grant revenue	3,079,130	-	-	3,079,130	-	3,079,130
Other**	808,328	-	-	808,328	-	808,328
Total revenues	26,701,199	4,037,288	197,893	30,936,380	(2,509)	30,933,871
Expenditures/Expenses:						
Service operations:						
Salary and benefits	8,080,460	-	-	8,080,460	(246,300)	7,834,160
Water and wastewater purchases	1,585,674	-	589,025	2,174,699	-	2,174,699
Garbage fees	1,298,494	-	-	1,298,494	-	1,298,494
Repairs and maintenance	1,536,247	-	-	1,536,247	-	1,536,247
Administrative	380,655	-	-	380,655	-	380,655
Utilities	703,931	-	-	703,931	-	703,931
Contracted services	1,060,070	8,000	-	1,068,070	-	1,068,070
Legal fees	184,714	-	-	184,714	-	184,714
Insurance	196,429	-	-	196,429	-	196,429
Engineering fees	258,213	-	-	258,213	-	258,213
Tax appraisal/collection fees	-	80,195	-	80,195	-	80,195
Audit fees	60,747	-	-	60,747	-	60,747
Financial advisor	20,000	-	-	20,000	-	20,000
Director's fees	35,209	-	-	35,209	-	35,209
Security fees	166,606	-	-	166,606	-	166,606
Other	1,214,494	-	-	1,214,494	-	1,214,494
Capital outlay	7,446,148	-	314,652	7,760,800	(7,760,800)	-
Debt service:						
Principal payments	490,000	3,425,000	-	3,915,000	(3,915,000)	-
Interest and fiscal charges	82,188	616,738	-	698,926	(198,311)	500,615
Depreciation	-	-	-	-	3,723,433	3,723,433
Total expenditures/expenses	24,800,279	4,129,933	903,677	29,833,889	(8,396,978)	21,436,911
Excess (deficiency) of revenues over (under) expenditures	1,900,920	(92,645)	(705,784)	1,102,491	(1,102,491)	-
Change in net position	-	-	-	-	9,496,960	9,496,960
Fund balances/net position:						
Beginning of year	33,437,447	2,580,293	2,415,739	38,433,479	25,196,411	63,629,890
End of year	$ 35,338,367	2,487,648	1,709,955	39,535,970	33,590,880	73,126,850

* Parks and recreation fees includes income from rental of pool, recreation and park facilities.

** Other revenue includes a one-time payment from Williamson County for $701,600 related to a subdivision sign replacement.

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, 2025

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Program revenues:				
Water and wastewater services	$ 7,738,020	7,738,020	7,595,062	(142,958)
Parks and recreation fees	2,364,350	2,364,350	2,519,471	155,121
Garbage collection	1,606,000	1,606,000	1,604,070	(1,930)
Parks maintenance fees	360,828	360,828	356,812	(4,016)
Stormwater drainage fees	175,250	175,250	169,798	(5,452)
Emergency management and hazard mitigation fees	29,655	29,655	29,735	80
Inspection fees	25,000	25,000	29,090	4,090
Tap and other connection fees	1,000	1,000	35,799	34,799
General revenues:				
Property taxes, including penalties and interest	9,112,459	9,112,459	9,077,485	(34,974)
Investment earnings	277,600	277,600	1,295,745	1,018,145
Rental income	100,425	100,425	100,674	249
Grant revenue	4,300,000	4,300,000	3,079,130	(1,220,870)
Other	37,781	37,781	808,328	770,547
Total revenues	26,128,368	26,128,368	26,701,199	572,831
Expenditures:				
Service operations:				
Salary and benefits	8,689,237	8,778,268	8,080,460	697,808
Water and wastewater purchases	1,865,711	1,865,711	1,585,674	280,037
Garbage fees	1,317,000	1,317,000	1,298,494	18,506
Repairs and maintenance	1,536,800	1,948,274	1,536,247	412,027
Administrative	406,690	406,690	380,655	26,035
Utilities	741,100	741,100	703,931	37,169
Contracted services	1,285,350	1,164,313	1,060,070	104,243
Legal fees	325,000	325,000	184,714	140,286
Insurance	198,000	198,000	196,429	1,571
Engineering fees	489,156	489,156	258,213	230,943
Audit fees	86,000	86,000	60,747	25,253
Financial advisor	20,000	20,000	20,000	-
Director's fees	36,000	36,000	35,209	791
Security fees	169,970	169,970	166,606	3,364
Other*	2,007,914	2,057,406	1,214,494	842,912
Capital outlay	14,431,199	15,490,316	7,446,148	8,044,168
Debt service:				
Principal payments	490,000	490,000	490,000	-
Interest and fiscal charges	82,188	82,188	82,188	-
Total expenditures	34,177,315	35,665,392	24,800,279	10,865,113
Excess (deficiency) of revenues over (under) expenditures	(8,048,947)	(9,537,024)	1,900,920	11,437,944
Fund balances:				
Beginning of year	33,437,447	33,437,447	33,437,447	-
End of year	$ 25,388,500	23,900,423	35,338,367	11,437,944

* Includes expenditures related to community activities, recruiting, cell/phone/cable, postage, and printing as well as other miscellaneous expenditures

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

1. Creation of District

Brushy Creek Municipal Utility District (the "District"), formerly known as Williamson County Municipal Utility District No. 2, was created, organized and established on October 27, 1977, pursuant to the provisions of Chapter 54 of the Texas Water Code.

The 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 a political subdivision of the State of Texas and 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") 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 which are included in the District's reporting entity.

2. Summary of Significant Accounting Policies

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 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. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 inflows of resources.

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 balance is 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 or committed to authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the Board. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Investments throughout the year consisted of investments in external local government investment pools, commercial paper, U.S. government agency securities, and U.S. Treasuries. The external local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The District's investment policies and types of investments are governed by Section 2256 of the Texas 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 policy. 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. As of September 30, 2025, the allowance for uncollectible accounts totaled $34,608.

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/expenses when consumed.

Capital Assets - Capital assets, which include land, construction in progress, water, wastewater, and drainage systems, easements and rights-of-way, buildings and improvements, furniture and office equipment, park and recreational amenities, and vehicles 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 $10,000 and a useful life of at least two years. Such assets are recorded at historical cost if purchased or estimated acquisition 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 asset additions, improvements and preservation costs that extend the useful life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs, if any, are capitalized as part of the asset.

Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Water, wastewater, and drainage systems	7-50
Easements and rights-of-way	40
Buildings and improvements	10-40
Furniture and office equipment	5-10
Park and recreational amenities	5-22
Vehicles and equipment	5-7

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, including bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

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

Compensated Absences - Accrued paid time off is earned by each full-time employee at a rate of between 13.30 and 17.97 hours per month depending on length of employment. The District's 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.

Pensions - The fiduciary net position of the Texas County and District Retirement System ("TCDRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases - The District is a lessor for noncancellable leases of land. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term and the lease receivable is reduced by the principal portion of lease payments when received. The deferred inflow of resources is initially measured at the initial amount of the lease receivable and is recognized as revenue over the life of the lease term.

The key estimates and judgments related to leases include how the District determines the discount rate used to discount the expected lease receipts to present value, lease term, and lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease and lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

Deferred Outflows and Deferred 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. See Note 7 and Note 12 for additional information on deferred outflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.

- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In May 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. GASB Statement No. 103 impacts the following areas: (1) Management's discussion and analysis - information is limited to topics discussed in five sections which include a) overview of the financial statements, b) financial summary, c) detailed analysis, d) significant capital asset and long-term financial activity, and e) currently known facts, decisions, or conditions. Information included in the detailed analysis should explain why balances and results of operations changed; (2) Unusual or infrequent items - these items are limited to transactions that are either unusual in nature or infrequent in occurrence and are displayed as the last presented flow of resources prior to the net change in resource flows; (3) Proprietary funds - the statement of revenues, expenses, and changes in net position is now required to separately report noncapital subsidies and present a subtotal for operating income (loss) and noncapital subsidies before reporting nonoperating revenues and expenses. It also defines what constitutes a subsidy; (4) Major component unit information - each major component unit is required to be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements; (5) Budgetary comparison information - this is now required to be presented as required supplemental information and also must present variances between original and final budget amounts and variances between final budget and actual amounts. Management is evaluating the effects that the full implementation of GASB Statement No. 103 will have on its financial statements for the year ended September 30, 2026.

3. 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	$ 39,535,970
Prepaid bond insurance costs are recorded as expenditures in the funds, but are amortized over the life of the related bonds in the statement of net position.	10,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,462,002
Net pension asset is not recoverable in the current period and, therefore, is not reported in the funds.	792,330
Leases receivable are not available financial resources and, therefore, are not reported in the funds.	1,028,756
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	151,988
Deferred lease revenue is not available to pay for current period expenditures and, therefore, is not reported in the funds.	(896,716)
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable and revenue note, including premiums and discounts	(20,117,424)
Less: Deferred charges on bond refundings	220,804
Bond interest payable	(200,383)
Vacation payable	(142,827)
The following deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Pension contributions after measurement date	335,121
Deferred outflows related to pension asset	33,778
Deferred inflows related to pension asset	(87,422)
Total net position	$ 73,126,850

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

Change in fund balances	$ 1,102,491
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	7,760,800
Depreciation expense	(3,723,433)
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	(26,207)
Change in deferred lease revenue	23,698
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position-	
Repayment of bond and revenue note principal	3,915,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in bond interest payable	32,592
Change in vacation payable	(5,857)
Amortization of deferred charges on bond refunding	(51,260)
Amortization of bond premium	221,334
Amortization of original issue discount	(2,270)
Amortization of bond insurance costs	(2,085)
Pension contributions made before measurement date	129,372
Pension contributions made after measurement date	335,121
Adjustments for ending deferred inflows and outflows related to net pension asset	(212,336)
Change in net position	$ 9,496,960

4. Cash 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, 2025, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, diversification, 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, fully collateralized repurchase agreements, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, no-load money market mutual funds regulated by the United States Securities and Exchange Commission ("SEC"), and eligible public funds investment pools.

Investments held at September 30, 2025 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
TexPool	$ 1,660,081	1	AAAm
LOGIC	20,903,119	1	AAAm
U.S. Treasuries	1,973,672	105	AA+
U.S. Government Agency Securities:			
Federal Home Loan Bank	992,380	227	AA+
Federal Farm Credit Bank	8,394,515	715	AA+
Federal Agriculture Mortgage Corp.	3,037,202	634	AA+
Commercial Paper	2,435,580	168	A-1
Total	$ 39,396,549		

The District had investments in two external local government investment pools, Texas Local Governmental Investment Pool ("TexPool") and Local Government Investment Cooperative ("LOGIC"). Although TexPool and LOGIC are not registered with the SEC as an investment company, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These investments are stated at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is an external investment pool offered to local governments. 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 Hermes, Inc. manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool uses amortized cost rather than market value to report net assets to compute share prices. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

LOGIC is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District's funds. LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District also invests in U.S. government agency securities, commercial paper, and U.S. Treasuries. The U.S. government agency securities and U.S. Treasuries are valued using Level 1 inputs and commercial paper is valued using Level 2 inputs that are based on market data obtained from independent sources. The fair value of these investments at September 30, 2025 are detailed below:

	Level 1	Level 2	Level 3	Total
U.S. Government Agency Securities	$ 12,424,097	$ -	$ -	$ 12,424,097
U.S. Treasuries	1,973,672	-	-	1,973,672
Commercial Paper	-	2,435,580	-	2,435,580
Total Fair Value	$ 14,397,769	$ 2,435,580	$ -	$ 16,833,349
Investments not subject to fair value leveling				22,563,200
Total Investments				$ 39,396,549

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 - At September 30, 2025, investments were comprised of external local governmental investment pools, U.S. government agency securities, commercial paper, and U.S. Treasuries with ratings from Standard & Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the external 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. U.S. government agency securities, commercial paper, and U.S. Treasuries held by the District have set interest rates.

Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. As of September 30, 2025, the District's investments which require disclosure are as follows:

	Fair Value	Percentage of Portfolio
Investments at September 30, 2025:		
Federal Farm Credit Bank	$ 8,394,515	21%
Federal Home Loan Bank	$ 3,037,202	8%

5. Interfund Receivables and Payables

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, 2025, was as follows:

Receivable Fund	Payable Funds	Amount
General Fund	Debt Service Fund	$ 1,264
General Fund	Capital Projects Fund	236,987
Total		$ 238,251

6. Capital Assets

Capital assets activity for the year ended September 30, 2025, was as follows:

	Balance 09/30/24	Additions	Retirements and Transfers	Balance 09/30/25
Capital assets not being depreciated:				
Land	$ 2,676,333	-	-	2,676,333
Construction in progress	1,996,709	7,166,830	-	9,163,539
Total capital assets not being depreciated	4,673,042	7,166,830	-	11,839,872
Capital assets being depreciated:				
Water, wastewater, and drainage systems	87,424,226	-	-	87,424,226
Easements and rights-of-way	883,890	-	-	883,890
Buildings and improvements	14,381,422	109,540	(210,737)	14,280,225
Furniture and office equipment	3,475,345	267,217	(2,102)	3,740,460
Park and recreational amenities	13,178,994	45,725	(20,822)	13,203,897
Vehicles and equipment	968,474	171,488	(700)	1,139,262
Total capital assets being depreciated	120,312,351	593,970	(234,361)	120,671,960
Less accumulated depreciation for:				
Water, wastewater, and drainage systems	(62,306,943)	(2,429,037)	-	(64,735,980)
Easements and rights-of-way	(883,890)	-	-	(883,890)
Buildings and improvements	(4,159,945)	(336,744)	210,737	(4,285,952)
Furniture and office equipment	(2,039,609)	(246,066)	2,102	(2,283,573)
Park and recreational amenities	(6,446,803)	(628,863)	20,822	(7,054,844)
Vehicles and equipment	(723,568)	(82,723)	700	(805,591)
Total accumulated depreciation	(76,560,758)	(3,723,433)	234,361	(80,049,830)
Total capital assets being depreciated, net	43,751,593	(3,129,463)	-	40,622,130
Capital assets, net	$ 48,424,635	4,037,367	-	52,462,002

7. Deferred Charges on Bond Refundings

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2025:

	Balance 09/30/24	Additions	Retirements	Balance 09/30/25
Deferred charges on bond refundings	$ 272,064	-	(51,260)	220,804

8. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2025:

	Balance 09/30/24	Additions	Retirements	Balance 09/30/25
Bonds payable and revenue note	$ 23,500,000	-	(3,915,000)	19,585,000
Discount on bonds	(29,676)	-	2,270	(27,406)
Premium on bonds	781,164	-	(221,334)	559,830
Compensated absences	136,970	363,488	(357,631)	142,827
Total	$ 24,388,458	363,488	(4,491,695)	20,260,251

At September 30, 2025, $5,857 of compensated absences was due within one year.

Long-term debt at September 30, 2025 is comprised of the following:

	Balance September 30, 2025	Due in One Year
$3,625,000 Series 2015 Sendero Springs/Cornerstone Defined Area Refunding Bonds, maturing annually on June 1 through 2033. Interest varies from 3.00% to 3.75% and is payable on June 1 and December 1 each year.	$ 1,990,000	$ 245,000
$3,530,000 Series 2015 Sendero Springs/Cornerstone Defined Area Unlimited Tax Bonds, maturing annually on June 1 through 2039. Interest varies from 3.00% to 3.75% and is payable on June 1 and December 1 each year.	2,450,000	135,000
$6,940,000 Series 2016 Term Note (Community Center), maturing annually on June 1 through 2030. Interest at 2.63% and is payable on June 1 and December 1 each year.	2,635,000	500,000
$6,605,000 Series 2019 Refunding Bonds, maturing annually on June 1 through 2026. Interest varies from 3.00% to 4.00% and is payable on June 1 and December 1 each year.	1,900,000	1,900,000
$8,140,000 Series 2020 Refunding Bonds, maturing annually on June 1 through 2028. Interest varies from 3.00% to 4.00% and is payable on June 1 and December 1 each year.	3,600,000	945,000
$2,100,000 Series 2020 Unlimited Tax Bonds, maturing annually on June 1 through 2029. Interest varies from 1.00% to 1.50% and is payable on June 1 and December 1 each year.	795,000	140,000
$5,600,000 Series 2020A Refunding Bonds, maturing annually on June 1 through 2028. Interest varies from 2.00% to 4.00% and is payable on June 1 and December 1 each year.	3,435,000	-
$1,795,000 Series 2020 Sendero Springs/Cornerstone Defined Area Refunding Bonds, maturing annually on June 1 through 2033. Interest varies from 2.00% to 3.00% and is payable on June 1 and December 1 each year.	1,330,000	125,000
$1,850,000 Series 2021 Sendero Springs/Cornerstone Defined Area Refunding Bonds, maturing annually on June 1 through 2038. Interest varies from 2.00% to 3.00% and is payable on June 1 and December 1 each year.	1,450,000	140,000
Total long-term debt	$ 19,585,000	$ 4,130,000

As of September 30, 2025, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2026	$ 4,130,000	601,150	4,731,150
2027	4,180,000	463,496	4,643,496
2028	4,315,000	323,849	4,638,849
2029	1,745,000	195,882	1,940,882
2030	1,135,000	154,567	1,289,567
2031-2035	2,630,000	424,911	3,054,911
2036-2039	1,450,000	104,354	1,554,354
Total	$ 19,585,000	2,268,209	21,853,209

The bonds are payable from proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2025.

At September 30, 2025, unlimited tax bonds of $10,715,000 were authorized by the District, but unissued, all of which is for the Defined Area water, wastewater, and drainage systems.

9. Leases

The District, as a lessor, has entered into agreements with three outside parties to lease District property for cell tower use. For the year ended September 30, 2025, the District reported lease revenue of $83,242 and interest revenue of $40,219 related to lease payments received. These leases are summarized as follows:

	Monthly Lease Payment Range	# of Months in FY 2025 and Subsequent	Lease Term Date	Interest Rate
AT&T	$1,293 - $3,380	364	January 1, 2055	3.6%
T-Mobile	$3,064 - $3,769	71	August 1, 2030	4.0%
Verizon	$3,214 - $4,250	118	July 1, 2034	4.0%

The District receives monthly payments and there are no termination clauses within the lease agreements. The District believes the renewal options will be exercised and have been included in the future minimum lease payments.

Future minimum lease payments as of September 30, 2025, are as follows:

Year Ended September 30,	Principal	Interest	Total
2026	$ 63,946	38,487	102,433
2027	67,776	35,859	103,635
2028	71,799	33,075	104,874
2029	80,912	30,124	111,036
2030	79,837	28,478	108,315
Thereafter	664,486	294,086	958,572
Total	$ 1,028,756	460,109	1,488,865

10. 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 Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In August 2024, the District levied a district-wide combined tax rate of $0.401653 per $100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were $0.301653 and $0.10, respectively. The total fiscal year 2025 tax levy was $12,220,471 based on a taxable assessed valuation of $3,052,844,901. The District also levied a defined area debt service tax rate of $0.10 per $100 of assessed valuation to finance debt service requirements. The total fiscal year 2025 tax levy related to the defined area was $772,555 based on a taxable valuation of $774,414,365.

11. 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. Commitments may be changed or lifted only by the Board by taking the same formal action that imposed the constraint originally.

The amounts committed for funding the repair and replacement of capital assets as of September 30, 2025 are as follows:

Community Park Playground (Phase I)	$	220,866
Emergency Interconnect BCWF w RR		260,000
Total	$	480,866

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. The Board has authorized the General Manager to have the authority to assign an amount of funds. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Included in the assigned fund balance as of September 30, 2025 is $9,626,934 that is reported as *Subsequent fiscal year budget deficit* which represents management's commitment to utilize funds set aside in prior years for the next fiscal cycle.

The amounts assigned for funding the repair and replacement of capital assets as of September 30, 2025 are as follows:

Emergency Response and Hazard Mitigation	$	159,600
Server Replacement		30,200
Master Plan 2012-2027 - Parks		220,728
General Trail Washouts		109,000
Gym Equipment Reserve		73,807
Community Garden		85,000
HVAC Replacement Fund		116,000
Utility Equipment Replacement		1,000
Required ROW Waterline Relocates		302,000
WCRRWL Regional Raw Water Line		982,504
Future Water Line Replacement		338,122
Drainage Improvements		154,004
BCRWWS Regional WW Improvement Fund		474,294
Membrane Replacement Fund		102,000
Total	$	3,148,259

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund. The Board approved a resolution for a six-month operating reserve and a revenue protection reserve. As these items do not meet the criteria to be classified elsewhere within another fund balance classification, these amounts are reflected within unassigned fund balance in the General Fund as of September 30, 2025 as noted in the table below:

Unassigned Fund Balance:	
Operating reserve	$ 10,914,184
Revenue protection reserve	4,307,051
Remaining unassigned fund balance	5,059,037
Total unassigned fund balance	$ 20,280,272

The detail of the fund balances is included in the Governmental Funds Balance Sheet on pages 12-13.

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.

12. Defined Benefit Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 890 active participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report ("ACFR") on a calendar year basis. The ACFR is available upon written request from the TCDRS, Finance Division, at Barton Oaks Plaza IV, Suite 500, 901 S. Mopac Expressway, Austin, Texas 78746.

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 either at age 60 and above with 5 or more years of service, after 20 years of service, or when service time plus age equals 80 but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employee membership data related to the Plan, as of the valuation date of December 31, 2024, was as follows:

Retirees and beneficiaries currently receiving benefits	26
Terminated employees entitled to but not yet receiving benefits	456
Active plan members	126
Total	608

Contributions

The District has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 8.28% for 2025 as adopted by the governing body of the District. The employee contribution rate was 6.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2025 equaled $462,242.

Net Pension Asset

<u>Actuarial Assumptions</u>

The District's net pension asset was measured as of December 31, 2024 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Amortization period	16.4 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.

Mortality:

Depositing members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021.

Asset Class	Benchmark	Target Allocation (a)	Geometric Real Rate of Return (Expected minus Inflation) (b)
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index (c)	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (d)	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (e)	25.00%	8.15%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

a) Target asset allocation adopted at the March 2025 TCDRS Board meeting.

b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.

c) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.

d) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

e) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Asset

Changes in the District's net pension asset for the valuation year ended December 31, 2024 are as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2023	$ 10,183,689	$ 10,574,744	$ (391,055)
Changes for the year:			
Service cost	585,546	-	585,546
Interest on total pension liability (1)	807,295	-	807,295
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	67,556	-	67,556
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(85,089)	(85,089)	-
Benefit payments	(214,268)	(214,268)	-
Administrative expenses	-	(6,607)	6,607
Member contributions	-	309,109	(309,109)
Net investment income	-	1,087,517	(1,087,517)
Employer contributions	-	443,571	(443,571)
Other (3)	-	28,081	(28,081)
Balance as of December 31, 2024	$ 11,344,729	$ 12,137,059	$ (792,330)

1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

2) No plan changes valued.

3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	$ 13,237,865	$ 11,344,729	$ 9,814,819
Fiduciary net position	12,137,059	12,137,059	12,137,059
Net pension liability / (asset)	$ 1,100,806	$ (792,330)	$ (2,322,240)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2025, the District recognized pension expense of $212,336. As of September 30, 2025, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,778	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	87,422
Contributions made subsequent to measurement date	335,121	-
Total	$ 368,899	$ 87,422

The $335,121 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended September 30, 2026. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended September 30:	
2026	$ (34,260)
2027	146,455
2028	(112,614)
2029	(53,225)
Total	$ (53,644)

13. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool ("TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

14. Amounts Collected for Capital Improvements

By an agreement dated March 26, 1996, the District and developers of property within the District agreed to the payment of a fee by the developers of the District. The fee has been established by contract between the District and its developers. The agreement also establishes the restrictions for the use of the fees. The fees collected under this agreement totaled $91,452 for the year ended September 30, 2025 and are within the Capital Projects Fund.

15. Commitments and Contingencies

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 Williamson County Raw Water Line Project is for the construction and maintenance of facilities capable of transporting water from Lake Stillhouse Hollow to Lake Georgetown.

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 "City"). 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 capital charge means the portion of the City's debt necessary to service the District. Capital charges are included in wastewater purchase expenditures which totaled $719,476 for the year ended September 30, 2025. The following details the District's portion of the City's debt that will be included in future wastewater purchases:

Fiscal Year	Principal	Interest	Total
2026	$ 355,000	160,243	515,243
2027	370,000	147,261	517,261
2028	375,000	140,139	515,139
2029	380,000	132,891	512,891
2030	390,000	124,856	514,856
2031-2035	1,740,000	481,920	2,221,920
2036-2039	1,430,000	155,125	1,585,125
Total	$ 5,040,000	1,342,435	6,382,435

A $122,500,000 project (the "Project") is underway by the City and other owners of the wastewater collection system. The Project includes both required improvements and an expansion component. The District is not responsible for the expansion costs but has been allocated $1,355,000 in costs of the Project representing its pro rata share of the required improvement costs. The District made a lump sum payment towards the Project of $224,400 during the year ended September 30, 2021. The remaining $1,130,600 allocated to the District will be paid out annually through 2032 as part of the District's obligation to pay a share of debt service.

On June 24, 2021, the District entered into an Interlocal Agreement for Emergency Water Service with the City where each party agrees to provide potable water service for a temporary period, as defined in the agreement, and only in the event of and for the duration of an emergency, as defined in the agreement. The rate charged will be the residential customer volume rate for Rate Block Four as set forth in Sec. 44-32(a)(5) Code of Ordinances of the City, as amended from time to time. The agreement is effective until September 30, 2040.

16. Subrecipient Agreement

Effective August 9, 2022, the District entered into a Subrecipient Agreement with Williamson County (the "County") to receive an amount up to $4,000,000 to reimburse the District for expenses related to eligible State and Local Fiscal Recovery Funds. These include construction and construction administration for any one or more of the following public infrastructure improvements: 1) centralized wastewater collection and conveyance including Cat Hollow Wastewater Lift Station improvements and Hillside Lift Station removal; 2) drinking water treatment including winterization improvements at the water treatment plant; and 3) drinking water source including emergency power installation at raw water intake facility, emergency power installation for groundwater wells, winterization of raw water intake vault, and winterization improvements for groundwater wells. The Subrecipient Agreement terminates on December 31, 2026 unless terminated earlier in accordance with the Subrecipient Agreement. During the year ended September 30, 2025, $3,079,130 was expended under the Subrecipient Agreement and the District recorded related grant revenue during the year then ended. Grant receivable at September 30, 2025 was $334,537 for reimbursements to be received from the County for expenditures incurred as of September 30, 2025.

The expenditures incurred under the Subrecipient Agreement during the year ended September 30, 2025 have been audited in accordance with the provisions of the Uniform Guidance and the related federal program is subject to financial and compliance audits by the grantor agencies. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Brushy Creek Municipal Utility District

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
September 30, 2025

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total Pension Liability										
Service cost	$ 585,546	$ 500,036	$ 553,753	$ 508,147	$ 448,604	$ 416,956	$ 364,608	$ 294,923	$ 295,387	$ 267,011
Interest on total pension liability	807,295	722,802	629,940	585,706	526,117	456,424	398,452	342,882	291,308	263,305
Effect of plan changes	-	-	1,662	-	-	-	-	4,376	-	(55,460)
Effect of assumption changes or inputs	-	-	-	(7,394)	483,993	-	-	512	-	30,086
Effect on economic/demographic (gains) or losses	67,556	62,853	303,961	(352,599)	(164,748)	38,542	(26,962)	44,864	(28,730)	(120,517)
Benefit payments/refunds of contributions	(299,357)	(220,992)	(206,720)	(188,521)	(97,267)	(69,593)	(75,772)	(66,783)	(75,753)	(54,772)
Net change in total pension liability	1,161,040	1,064,699	1,282,596	545,339	1,196,699	842,329	660,326	620,774	482,212	329,653
Total pension liability, beginning	10,183,689	9,118,990	7,836,394	7,291,055	6,094,356	5,252,027	4,591,701	3,970,927	3,488,715	3,159,062
Total pension liability, ending (a)	$11,344,729	$10,183,689	$ 9,118,990	$ 7,836,394	$ 7,291,055	$ 6,094,356	$ 5,252,027	$ 4,591,701	$ 3,970,927	$ 3,488,715
Fiduciary Net Position										
Employer contributions	$ 443,571	$ 374,268	$ 355,166	$ 251,756	$ 219,201	$ 206,110	$ 183,429	$ 173,616	$ 142,204	$ 140,561
Member contributions	309,109	271,209	248,079	227,490	206,145	198,835	180,126	170,719	147,347	138,711
Investment income net of investment expenses	1,087,517	1,006,931	(575,770)	1,639,053	653,880	843,237	(88,684)	596,801	264,683	(66,405)
Benefit payments/refunds of contributions	(299,357)	(220,992)	(206,720)	(188,521)	(97,267)	(69,593)	(75,772)	(66,783)	(75,753)	(54,772)
Administrative expenses	(6,607)	(5,522)	(5,347)	(5,002)	(5,349)	(4,818)	(4,126)	(3,280)	(2,878)	(2,516)
Other	28,082	24,910	63,554	10,248	10,334	12,363	9,070	3,689	24,012	2,487
Net change in fiduciary net position	1,562,315	1,450,804	(121,038)	1,935,024	986,944	1,186,134	204,043	874,762	499,615	158,066
Fiduciary net position, beginning	10,574,744	9,123,940	9,244,978	7,309,954	6,323,010	5,136,876	4,932,833	4,058,071	3,558,456	3,400,390
Fiduciary net position, ending (b)	$12,137,059	$10,574,744	$ 9,123,940	$ 9,244,978	$ 7,309,954	$ 6,323,010	$ 5,136,876	$ 4,932,833	$ 4,058,071	$ 3,558,456
Net pension liability / (asset), ending = (a) - (b)	$ (792,330)	$ (391,055)	$ (4,950)	$(1,408,584)	$ (18,899)	$ (228,654)	$ 115,151	$ (341,132)	$ (87,144)	$ (69,741)
Fiduciary net position as a % of total pension liability	106.98%	103.84%	100.05%	117.97%	100.26%	103.75%	97.81%	107.43%	102.19%	102.00%
Pensionable covered payroll	$ 5,151,813	$ 4,520,150	$ 4,134,647	$ 3,791,499	$ 3,435,745	$ 3,313,925	$ 3,002,106	$ 2,845,317	$ 2,450,776	$ 2,311,858
Net pension liability / (asset) as a % of covered payroll	-15.38%	-8.65%	-0.12%	-37.15%	-0.55%	-6.90%	3.84%	-11.99%	-3.56%	-3.02%

Brushy Creek Municipal Utility District

Schedule of District Contributions to TCDRS
September 30, 2025

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2015**	$ 140,561	$ 140,561	$ -	$ 2,311,858	6.1%
2016**	141,900	142,204	(304)	2,450,776	5.8%
2017**	168,727	173,616	(4,889)	2,845,317	6.1%
2018**	183,429	183,429	-	3,002,106	6.1%
2019**	205,795	206,110	(315)	3,313,925	6.2%
2020**	219,201	219,201	-	3,435,745	6.4%
2021**	251,756	251,756	-	3,791,499	6.6%
2023	365,063	365,063	-	4,364,979	8.4%
2024	424,329	424,329	-	4,934,058	8.6%
2025	462,242	462,242	-	5,582,634	8.3%

* Payroll is calculated based on contributions as reported to TCDRS.

** TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report on a fiscal year basis. The District is reporting contributions on a calendar year basis for years 2015-2021 and a fiscal year basis thereafter.

1. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The following methods and assumptions were used to determine the contributions rates:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Amortization period	16.4 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

2. Change in Assumptions

The following change was made to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period-

- Amortization period decreased from 17.4 years to 16.4 years

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**BRUSHY CREEK MUNICIPAL UTILITY DISTRICT
UTILITY SYSTEM REVENUE BONDS,
SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $30,000,000**

AS BOND COUNSEL FOR BRUSHY CREEK MUNICIPAL UTILITY DISTRICT (the "District") for the above described bonds (the "Bonds"), we have examined 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 as authorized in the "Master Resolution Establishing Brushy Creek Municipal Utility District Utility System Revenue Financing Program" adopted on December 10, 2015 (the "Master Ordinance") and the "Second Supplemental Resolution to the Master Resolution Establishing the Brushy Creek Municipal Utility District Utility System Revenue Financing Program Authorizing the Issuance of $30,000,000 Brushy Creek Municipal Utility District Utility System Revenue Bonds, Series 2026" adopted by the Board of Directors of the District on September 24, 2026 authorizing the issuance of the Bonds (the "Second Supplement" together with the Master Resolution, the "Resolution").

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 together with the Outstanding Parity Debt and any Additional Bonds, from Net Revenues of the District's System. Such pledge of Net Revenues 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 the Net Revenues; bonds, notes and other obligations of inferior liens; and bonds payable from other resources including ad valorem taxes, contracts with other persons, including private corporations, municipalities, and political subdivisions as further provided in the Resolution.

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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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.

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 Net Revenues of the System 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,