

OFFICIAL STATEMENT DATED AUGUST 7, 2018

NEW ISSUE-BOOK-ENTRY ONLY

**RATINGS: AGM Insured: S&P “AA” (Stable Outlook); Moody’s “A2” (Stable Outlook);
Underlying Moody’s “Baa3”
See “MUNICIPAL BOND RATINGS” AND “BOND INSURANCE.”**

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

THE MASTER DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

\$4,460,000
WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
Unlimited Contract Tax Bonds, Series 2018

Dated: September 4, 2018

Due: September 1, as shown on inside cover

The bonds described above (the “Bonds”) and the Outstanding Contract Bonds (as herein defined) are limited obligations of Wilbarger Creek Municipal Utility District No. 2 (the “Master District”) payable solely from and to the extent of payments required to be made to the Trustee (as herein defined) by all participating entities, currently Cottonwood Creek Municipal Utility District No. 1, Travis County Municipal Utility District No. 2, Wilbarger Creek Municipal Utility District No. 1 and Wilbarger Creek Municipal Utility District No. 2 (in its role as a participating district) (collectively, the “Participants” and individually, a “Participant”) within the Service Area (as herein defined) from proceeds of an unlimited annual ad valorem contract tax levied by each Participant for debt service (the “Pledged Contract Payments”) pursuant to the terms of a separate “Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities, Regional Water Supply and Delivery Facilities, and Regional Drainage, Including Water Quality Facilities” executed between the Master District and each Participant (collectively, the “Master District Contract”) as described more fully herein under “SUMMARY OF CERTAIN DOCUMENTS – Master District Contract.” The Bonds and the Outstanding Contract Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds on deposit with the Trustee pursuant to the Trust Indenture (as herein defined).

Interest on the Bonds will accrue from the date of delivery, currently anticipated to be September 4, 2018, and is payable March 1, 2019 and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrant for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent”). The Bonds and the Outstanding Contract Bonds are limited obligations of the Master District payable solely from the Pledged Contract Payments and certain funds on deposit with UMB Bank, N.A., as successor to BOKF, NA, (the “Trustee”) pursuant to the Trust Indenture (as defined herein), and are not obligations of the City of Manor, Texas; Travis County, Texas; the State of Texas; or any entity other than the Master District.

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



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS and CUSIP NUMBERS**
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the Master District and will be payable from and secured by unconditional obligations to make certain debt service requirement payments that are to be made severally by the Participants pursuant to the Master District Contract (as herein defined). See “THE BONDS - Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. **INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See “INVESTMENT CONSIDERATIONS” herein.

The Bonds are offered by the initial purchaser (the “Initial Purchaser”) subject to prior sale, when, as and if issued by the Master District and accepted by the Initial Purchaser, subject, among other things to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel and Disclosure Counsel. Delivery of the Bonds is

expected through the facilities of DTC on or about September 4, 2018 (the “Date of Delivery”) in Austin, Texas.

MATURITY SCHEDULE*
(Due September 1)

| Due | Principal Amount ^(a) | Interest Rate | Initial Reoffering Yield ^(b) | CUSIP Number ^(c) | Due | Principal Amount | Interest Rate | Initial Reoffering Yield ^(b) | CUSIP Number ^(c) |
|---|---------------------------------|---------------|---|-----------------------------|--------|------------------|---------------|---|-----------------------------|
| 2019 | \$ 200,000 | 3.750% | 1.800% | 967792EW8 | 2027 * | \$ 260,000 | 3.000% | 3.000% | 967792FE7 |
| 2020 | 200,000 | 4.000% | 2.000% | 967792EX6 | 2028 * | 290,000 | 3.000% | 3.100% | 967792FF4 |
| 2021 | 215,000 | 3.250% | 2.100% | 967792EY4 | 2029 * | 290,000 | 3.000% | 3.200% | 967792FG2 |
| 2022 | 215,000 | 3.000% | 2.250% | 967792EZ1 | 2030 * | 275,000 | 3.000% | 3.300% | 967792FH0 |
| 2023 | 220,000 | 3.000% | 2.400% | 967792FA5 | 2031 * | 285,000 | 3.125% | 3.400% | 967792FJ6 |
| 2024 | 240,000 | 2.000% | 2.550% | 967792FB3 | 2032 * | 300,000 | 3.250% | 3.500% | 967792FK3 |
| 2025 | 240,000 | 2.250% | 2.700% | 967792FC1 | 2033 * | 305,000 | 3.375% | 3.550% | 967792FL1 |
| 2026 * | 280,000 | 3.000% | 2.850% | 967792FD9 | | | | | |
| \$645,000 3.500% ^(a) Term Bond due September 1, 2035* Yield 3.650% ^(b) CUSIP 967792FN7 ^(c) | | | | | | | | | |

* Redemption Provisions: The Master District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2026, in whole or from time to time in part, on September 1, 2025, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as term bonds by the Initial Purchaser of the Bonds. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the Master District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.003579% of par, resulting in a net effective interest rate to the Master District of 3.459216%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ 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 provided by CUSIP Global Services. Neither the Initial Purchaser, the Master District, nor Public Finance Group LLC, the Master District's financial advisor (the "Financial Advisor"), is responsible for the selection or correctness of the CUSIP numbers set forth herein.

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in 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 the Master District's General Counsel, 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 Master District or the other matters described herein since the date hereof. However, the Master District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the Master District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE MASTER DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the Master District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.003579% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the Master District to the Initial Purchaser. The Master District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

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

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the offer and sale of the Bonds has been filed with 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 Master District assumes no responsibility for registration 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.

The statements contained in this Official Statement and in other information provided by the Master District that are not purely historical are forward-looking statements, including regarding the Master District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Master District on the date hereof, and the Master District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS - Forward-Looking Statements."

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, as a result of the municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa3" to the Bonds. On January 18, 2017, Moody's downgraded the rating on the Issuer's outstanding unlimited contract tax bonds to "Baa3" from "Baa1," with a stable outlook. According to the Moody's report, the downgrade to "Baa3" from "Baa1" was due to a change in the rating methodology used by Moody's for unlimited contract tax bonds. The Issuer's unlimited contract tax bonds had been rated by Moody's in accordance with Moody's General Obligation Methodology since the Issuer first obtained a rating from Moody's in 2010. Moody's has now changed to the Public Sector Pool Financing Methodology for unlimited contract tax bonds, which resulted in the Issuer's downgrade as further discussed in the Moody's report attached hereto. For further information, please contact Moody's.

An explanation of the significance of a rating may be obtained from Moody's, the company furnishing the rating. The rating reflects only the respective view of such company, and the Master 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.

BOND INSURANCE

Bond Insurance Policy

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

The Policy is covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On June 26, 2018, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On May 7, 2018, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for fiscal year ended December 31, 2017.

Capitalization of AGM

At March 31, 2018:

- The policyholders' surplus of AGM was approximately \$2,247 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,133 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with statutory accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-K for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);
- (iii) the Quarterly Report on Form 10-K for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently

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

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere 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 MASTER DISTRICT

The Issuer Wilbarger Creek Municipal Utility District No. 2 (the "Master District") is a political subdivision of the State of Texas, created by an order of the Texas Natural Resource Conservation Commission, predecessor of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), on May 30, 2002 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The Master District serves as the regional provider of water and wastewater services to participating entities within the Service Area (as herein defined), currently consisting of Travis County Municipal Utility District No. 2 ("Travis MUD No. 2"); Cottonwood Creek Municipal Utility District No. 1 ("Cottonwood Creek"); Wilbarger Creek Municipal Utility District No. 1 ("Wilbarger No. 1"); and Wilbarger Creek Municipal Utility District No. 2 ("Wilbarger No. 2") (collectively, the "Participants" and individually a "Participant"), which consists of a service area encompassing all of the Participants of approximately 1,514 acres (the "Service Area") located within Travis County, Texas. The Master District, as a Participant, was created to provide water, wastewater and drainage facilities to serve the approximately 392 acres within its boundaries, all of which lies within Travis County, Texas. See "THE MASTER DISTRICT," "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract," and "PARTICIPANTS IN CURRENT SERVICE AREA."

Location..... The Service Area, which currently encompasses approximately 1,514 acres of land, of which approximately 1,510 acres are currently expected to be developable, is located in Travis County approximately 10 miles northeast of downtown Austin and on the north side of U.S. Highway 290. It is north of and partially within the extraterritorial jurisdiction of the City of Manor.

The Participants The Participants are designed to ultimately contain single-family, multi-family, commercial, retail and office development as well as recreational amenities within the Service Area. All of the Participants have designated Wilbarger No. 2 to serve as the Master District and regional provider of all major water, wastewater, and drainage facilities to serve the approximately 1,514 acres within the Service Area pursuant to the provisions of the "Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment, and Disposal Facilities, Regional Water Supply and Delivery Facilities, and Regional Drainage, Including Water Quality Facilities" executed by the Master District and each Participant (the "Master District Contract"). Each Participant has agreed to levy a contract tax, unlimited as to rate or amount, as necessary to pay costs under the Master District Contract, including its pro rata share of debt service on bonds issued, including the Bonds and the Outstanding Contract Bonds (as herein defined), by the Master District for the regional water, wastewater, and drainage facilities. Each Participant is responsible for constructing and financing its own internal water, wastewater and drainage facilities. See "THE MASTER DISTRICT" and "INVESTMENT CONSIDERATIONS."

The Developers The two developers currently active within the Service Area include: (i) SG Land Holdings LLC ("SG Land Holdings"), a Delaware limited liability company, which is owned by Southwest Shadow Holdings LLC, a Delaware limited liability company, and ColFin Shadow Investor LLC, a Delaware limited liability company; and (ii) KB Home Lone Star, Inc. ("KB Home"), a Texas corporation. KB Home has purchased (or has under contract to purchase) certain platted single-family acreage from SVWW (as defined below) and Presidential (as defined below); although KB Home will be developing utility facilities to serve such acreage, SVWW and Presidential have retained reimbursement rights to relevant bond proceeds. SG Land Holdings and KB Home are hereinafter collectively referred to as the "Developers".

In addition, Cottonwood Holdings, Ltd. ("CHL"), a Texas limited partnership, owns approximately 5.1 acres within the Service Area which is expected to be developed for commercial/retail purposes. IBC Partners, Ltd. ("IBC") owns approximately 45 acres of commercial frontage along US 290 located within Cottonwood Creek.

SVWW Manor Limited Partnership ("SVWW") was a previous developer in Cottonwood Creek and no longer owns any land within Cottonwood Creek. SVWW's affiliated entity, Presidential Meadows Limited Partnership ("Presidential"), a Texas limited partnership, is a major landowner within Cottonwood Creek and owns approximately 86.11 developable acres. See "THE DEVELOPERS" and "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area – Status of Development."

As of July 11, 2018, approximately 569.54 acres within the Participants have been or are currently being provided water, wastewater and storm drainage, including water quality services, which include: approximately 240.60 acres in Cottonwood Creek, approximately 267.93 acres in Travis MUD No. 2, and

approximately 61.01 acres in Wilbarger No. 1. As of July 11, 2018, residential development within the Participants included a total of 2,150 developed single-family lots, including 1,721 completed homes, 125 homes under construction and 263 vacant developed single-family lots (does not include approximately 254 lots currently under construction or design). Commercial development within the Service Area includes a 15,000 square foot strip center called The Shops at ShadowGlen on approximately 2.3 acres, and a 36,000 square foot medical center on approximately 4.3 acres each within Travis MUD No. 2. Within Travis MUD No. 2, there is also an amenity center on approximately 4 acres, which includes a 4,300 square foot recreation center, a junior Olympic swimming pool, a water spray park and two 35 foot water slides. Additionally, there is an elementary school and amenity center within Cottonwood Creek and an elementary school in Wilbarger No. 1. Cottonwood Creek and Wilbarger No. 1 also contain approximately 2.5 and 4.0 acres of commercial acreage, respectively. See "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area – Status of Development."

Homebuilders According to the Developers, there are currently six homebuilders constructing homes in the Service Area: Gray Point Homes, Meritage Homes, Buffington Homes, Pulte Homes, and Perry Homes are constructing homes in Travis MUD No. 2 and Wilbarger No. 1; and KB Home is constructing homes in Cottonwood Creek.

According to SG Land Holdings: Gray Point Homes' homes range in price from approximately \$215,000 to \$260,000, with square footage ranging from approximately 1,550 to 2,700; Meritage Homes' homes range in price from approximately \$198,000 to \$250,000, with square footage ranging from approximately 1,249 to 2,450; Buffington Homes' homes range in price from approximately \$299,000 to \$410,00, with square footage ranging from approximately 2,460 to 3,609; Pulte Homes' homes range in price from approximately \$198,000 to \$250,000 with square footage ranging from approximately 1,249 to 2,450; and Perry Homes' homes range in price from approximately \$280,000 to \$370,000, with square footage ranging from approximately 1,950 to 2,782. According to KB Home, homes being constructed in Cottonwood Creek range in sales price from approximately \$175,995 to \$234,995, with square footage ranging from approximately 1,234 to 2,881.

Master District Facilities Pursuant to the "Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" (the "Water Supply Contract") and the "Amended and Restated Regional Sewage Disposal Capacity and Services Agreement for a Portion of Northeastern Travis County, Texas" (the "Wastewater Treatment Contract") among the Participants, Cottonwood Creek Water Control and Improvement District No. 3 ("Cottonwood WCID No. 3"), and Metro H2O, Ltd., a Texas limited partnership ("Metro"), Metro agreed to provide water supply and capacity sufficient to serve 6,010 living unit equivalents ("LUEs") and to construct certain wastewater treatment facilities in phases (the "Wastewater Treatment Plant") sufficient to serve up to 6,010 LUEs. Although Cottonwood WCID No. 3 is a party to the Water Supply Contract and Wastewater Treatment Contract, it is not a Participant within the Service Area and has not been allocated any capacity under these agreements.

Subsequently, each of the Participants entered into the Master District Contract pursuant to which the Master District acts as the regional provider of the water and wastewater services and is obligated to design, acquire, construct, extend, own, operate and maintain all water supply and wastewater treatment facilities, originally including: (i) a 24-inch water transmission main which conveys water from the elevated storage tank to the Service Area; (ii) a chlorine injection system; and (iii) water capacity necessary to serve the Service Area (all hereinafter collectively referred to as the "Master District Facilities").

Pursuant to an "Amended and Restated Assignment and Assumption of Capacity Rights and Obligations Under Regional Water and Sewer Contracts and Capacity Reservation Agreement" dated effective October 1, 2005 (the "Capacity Assignment"), the Participants assigned all of their rights and obligations with respect to water supply capacity and wastewater treatment capacity under the Water Supply Contract and the Wastewater Treatment Contract (collectively, the "Regional Agreements") to the Master District, which, in turn, reserved water supply capacity and wastewater treatment capacity in favor of the Participants at full build-out in the amounts set forth in the Regional Agreements and agreed to allocate water capacity and wastewater treatment capacity on an interim basis fairly and equitably among the Participants. The Regional Agreements, as affected by the Capacity Assignment, originally provided that the Master District will purchase water supply capacity and wastewater treatment capacity by paying a capital recovery fee for each LUE within the Service Area (each, an "LUE Fee"). However, in December 2008, the Master District acquired the Wastewater Treatment Plant, which consists of a 500,000 gallon per day wastewater treatment plant and lift station, from Metro and was assigned Metro's interest in the Wastewater Treatment Contract. The Master District intends to finance expansions of the Wastewater Treatment Plant through the issuance of bonds. Therefore, it is anticipated that no further LUE Fees will be charged for wastewater treatment capacity under the Wastewater Treatment Contract. Further, pursuant to a "First Amendment to Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" dated August 9, 2011 (the "Water Supply

Contract Amendment”), in consideration of the payment of \$250,000 to Metro, the obligation to make water LUE fee payments to Metro has terminated until such time as the number of LUEs actually connected to the water system serving the Master District’s service area exceeds 2,610, at which point water LUE fees are required to be paid on a connection by connection basis.

THE BONDS

Description The Bonds in the aggregate principal amount of \$4,460,000 mature in varying amounts on September 1 of each year from 2019 through 2033, inclusive, and as Term Bonds which mature September 1, 2035 as set forth on the inside cover page of this Official Statement. Interest accrues from the date of delivery, currently anticipated to be September 4, 2018, at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2019 and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."

Redemption The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2026, in whole or from time to time in part, on September 1, 2025 or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bond maturing September 1, 2035 is also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

Source of Payment Principal and interest on the Bonds are payable from and secured by unconditional obligations to make certain debt service requirement payments that are to be made severally by the Participants pursuant to the Master District Contract (collectively, the "Pledged Contract Payments"). By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of debt service on the Bonds and the Outstanding Contract Bonds based upon the certified assessed valuation of such Participant as a percentage of the total assessed valuation within the Service Area. Participants are obligated to make such Pledged Contract Payments from the proceeds of an annual unlimited ad valorem contract tax levied by such Participant on land within its boundaries for debt service requirements (the "Contract Tax"). No Participant is liable for the payments due by any other Participant. The Bonds are also secured by a Debt Service Fund and a Reserve Fund held by the Trustee pursuant to the terms of the Trust Indenture.

The Bonds are limited obligations of the Master District, payable solely from certain Pledged Contract Payments by each Participant and certain funds held by the Trustee under the Trust Indenture, and are not obligations of the City of Manor, Texas; the State of Texas; Travis County, Texas; or any other political subdivision or agency. See "THE BONDS - Source of and Security for Payment" and "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract."

The Bonds are further secured by a Trust Indenture (the "Trust Indenture") from the Master District to UMB Bank, N.A., as successor to BOKF, NA, (the "Trustee"). Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments. The Trustee shall establish, as described in the Bond Resolution, a debt service fund to collect and deposit the Pledged Contract Payments in sufficient amounts for payment of the principal of and interest on the Bonds and Outstanding Contract Bonds as such become due (the "Debt Service Fund"), and a reserve fund, which was initially funded from proceeds of the Master District's first two bond issues, to be used to pay principal of and interest on the Bonds and Outstanding Contract Bonds if sufficient funds are not available for such purpose in the Debt Service Fund, or to pay the principal of and interest on the Bonds and Outstanding Contract Bonds in connection with the refunding, redemption or final payment of the Bonds and any additional bonds issued in the future (the "Reserve Fund"). See "SUMMARY OF CERTAIN DOCUMENTS - Trust Indenture."

Payment Record The Master District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "COMPOSITE FINANCIAL STATEMENT - Outstanding Contract Tax Bonds."

Authority for Issuance The Master District has previously issued three series of unlimited contract tax bonds pursuant to the Master District Contract for the purpose of constructing and acquiring the Master District Facilities necessary to provide regional water and wastewater services to the entire Service Area and three series of refunding bonds. The Bonds are issued pursuant to the Master District Contract, an election held on May 3, 2003 within each of the Participants approving the Master District Contract and the levy of taxes in support thereof, the Bond Resolution, the Trust Indenture, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Authority for Issuance" and "–Issuance of Additional Bonds."

| | |
|--|--|
| Use of Proceeds..... | The proceeds of the Bonds will be used to finance the following: (i) Rehabilitation and Expansion of the existing membrane bioreactor (MBR) wastewater treatment plant facility; (ii) Master Water System Sub-Meters; (iii) contingences associated with items nos. 1 and 2; (iv) engineering fees associated with items nos. 1 and 2; and (v) pay other costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." |
| Issuance of Additional Debt..... | <p>Pursuant to the Master District Contract, the Master District is authorized, with the approval of the TCEQ, to issue additional unlimited contract tax bonds to acquire, construct, improve or expand Master District Facilities necessary to serve the Service Area.</p> <p>Any additional unlimited contract tax bonds would be on parity with the Bonds and the Outstanding Contract Bonds. The Master District Contract and the Bond Resolution impose no limitation on the amount of additional parity bonds which may be issued by the Master District. See "THE BONDS – Issuance of Additional Bonds" and "INVESTMENT CONSIDERATIONS - Future Debt."</p> |
| Municipal Bond Ratings and Bond Insurance..... | S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, as a result of the municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa3" to the Bonds. |
| Qualified Tax-Exempt Obligations..... | The Master District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2018 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions." |
| Bond Counsel and Disclosure Counsel..... | McCall, Parkhurst & Horton L.L.P., Austin, Texas |
| General Counsel | Armbrust & Brown, PLLC, Austin, Texas |
| Financial Advisor | Public Finance Group LLC, Austin, Texas |
| Engineer..... | Schroeder Engineering Company, Austin, Texas |
| Trustee | UMB Bank, N.A., Austin, Texas, as successor to BOKF, NA |
| Paying Agent/Registrar | UMB Bank, N.A. Austin, Texas |

INVESTMENT CONSIDERATIONS

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

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THE MASTER DISTRICT CONTRACT

| | |
|-----------------------------|--|
| Participants | <p>The Master District has entered into a contract with the Participants, which currently consist of four municipal utility districts each organized and operating pursuant to Article 16, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, as amended, which contract authorizes the Master District to issue bonds, payable from the contract tax levied by each Participant, sufficient to complete acquisition and construction of Master District Facilities as needed to serve all Participants in the Service Area (the "Master District Contract").</p> |
| Debt Service Payments | <p>By execution of the Master District Contract, the Participants have each agreed to levy, assess, and collect an ad valorem Contract Tax on taxable property within their respective boundaries, without limit as to rate or amount, sufficient to make timely payments of all charges, including debt service on Master District bonds, including the Bonds. The Participants agree to pay their pro rata share of debt service requirements to the Master District which has directly assigned such portion of the Pledged Contract Payments to the Trustee under the Trust Indenture. The pro rata share of each Participant will be determined by the ratio of the total certified assessed value within a Participant, divided by the cumulative total of the certified assessed value of all the Participants. The pro rata share of debt service is calculated on certified assessed value only, and the pro rata share is not to be calculated on a basis of water demand/equivalent connections. The Pledged Contract Payments assigned to the Trustee shall include principal and interest on the Bonds and Outstanding Contract Bonds, all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. See "THE BONDS - Source of and Security for Payment" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract."</p> <p>The Participants are obligated severally, but not jointly, to make Pledged Contract Payments to the Master District in an amount sufficient to pay their pro rata share of debt service requirements on the Bonds and Outstanding Contract Bonds. No Participant is obligated, contingently or otherwise, to make any Pledged Contract Payments owed by any other Participant. See "PARTICIPANTS IN CURRENT SERVICE AREA."</p> |
| Water and Wastewater | <p>Each Participant is obligated to pay monthly charges to the Master District for water and wastewater services rendered to such Participant pursuant to the Master District Contract ("Monthly Charges"). The Monthly Charges paid by each Participant to the Master District will be used to pay each Participant's share of the operations and maintenance expenses of the Master District Facilities and to provide or replenish an operation and maintenance reserve equivalent to five months of operations and maintenance expenses. The Master District Contract obligates each Participant to establish and maintain, and from time to time adjust, the rates, fees and charges for services provided by such Participant's internal wastewater collection system, water distribution system, and drainage system, or the availability of such services, to provide gross revenues therefrom, together with any taxes levied in support thereof and funds received from any other lawful source, sufficient at all times to pay all operation and maintenance expenses of the Participant's internal utility systems as well as the Participant's obligations to the Master District under the Master District Contract, including the Participant's obligation to pay its pro rata share of the debt service requirements on the Bonds. See "INVESTMENT CONSIDERATIONS – Water, Wastewater and Water Quality" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract."</p> |

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SELECTED FINANCIAL INFORMATION

(Unaudited)

Assessed Valuations of the Participants: ^(a)

| Participant Name | 2018 Certified Assessed Valuation ^(a) | % of Total | 2017 Certified Assessed Valuation ^(a) | % of Total | 2016 Certified Assessed Valuation ^(a) | % of Total |
|------------------|--|----------------|--|----------------|--|----------------|
| Cottonwood Creek | \$ 167,143,226 | 39.84% | \$ 118,034,416 | 34.22% | \$ 84,564,365 | 29.32% |
| Travis MUD No. 2 | 206,826,786 | 49.30% | 185,824,883 | 53.88% | 165,792,589 | 57.49% |
| Wilbarger No. 1 | 37,962,619 | 9.05% | 33,511,681 | 9.72% | 30,507,934 | 10.58% |
| Wilbarger No. 2 | 7,571,916 | 1.80% | 7,520,916 | 2.18% | 7,520,916 | 2.61% |
| | <u>\$ 419,504,547</u> | <u>100.00%</u> | <u>\$ 344,891,896</u> | <u>100.00%</u> | <u>\$ 288,385,804</u> | <u>100.00%</u> |

(a) Certified 2018 Assessed Valuation as of January 1, 2018, as provided by Travis Central Appraisal District ("TCAD").

Status of Development as of July 11, 2018:

| Participant Name | Gross Acreage ^(a) | Developed Acreage ^(b) | Single-Family | | | |
|------------------|------------------------------|----------------------------------|-------------------------------|--------------|--------------------|-------------|
| | | | Developed Lots ^(b) | Completed | Under Construction | Vacant Lots |
| Cottonwood Creek | 417.70 | 269.57 | 1,043 | 822 | 80 | 141 |
| Travis MUD No. 2 | 404.11 | 267.93 | 895 | 761 | 27 | 107 |
| Wilbarger No. 1 | 300.42 | 61.01 | 212 | 179 | 18 | 15 |
| Wilbarger No. 2 | 392.10 | - | - | - | - | - |
| | <u>1,514.33</u> | <u>598.51</u> | <u>2,150</u> | <u>1,762</u> | <u>125</u> | <u>263</u> |

(a) Gross acreage includes all easements, rights-of-way, and other undeveloped acreage.

(b) Represents developed acreage and acreage currently under construction/being developed.

| | |
|---|-----------------------------|
| Gross Contract Debt Outstanding (after issuance of the Bonds) | \$16,705,000 ^(a) |
| Ratio of Gross Contract Debt to 2017 Certified Assessed Valuation | 4.84% |
| Ratio of Gross Contract Debt to 2018 Certified Assessed Valuation | 3.98% |

Master District Funds Available as of July 2, 2018 ^(b):

| | |
|---|-----------------------------|
| Debt Service Fund..... | \$ 1,164,156 ^(c) |
| Debt Service Reserve Fund | 462,351 ^(d) |
| Special Revenue Fund..... | 1,208,169 |
| Average percentage of current tax collections – Tax years 2003 through 2017..... | 99.25% |
| Average percentage of total tax collections - Tax years 2003 through 2017..... | 99.73% |
| Average Annual Debt Service Requirement (2019 through 2035) ("Average Requirement")..... | \$1,262,888 |
| Tax rate required to pay Average Requirement based upon the aggregate 2018 Certified Assessed Valuation at 95% collections | \$0.32/\$100 A.V. |
| Maximum Annual Debt Service Requirement (2034) ("Maximum Requirement") | \$1,280,050 |
| Tax rate required to pay Maximum Requirement based upon the aggregate 2018 Certified Assessed Valuation at 95% collections | \$0.33/\$100 A.V. |

Number of connections in Service Area as of July 11, 2018:

| | |
|------------------------------|-------|
| Single-Family Occupied | 1,762 |
| Vacant/Builder/Other | 388 |
| Total | 2,150 |

Estimated Population in Service Area as of July 11, 2018 6,450 ^(e)

-
- (a) Includes the Bonds.
- (b) Unaudited.
- (c) Neither the Bond Resolution nor Texas law requires that the Master District maintain any particular sum in the Debt Service Fund; however, pursuant to the Bond Resolution and the Trust Indenture, a Reserve Fund equivalent to six months' debt service requirement on the Bonds and Outstanding Contract Bonds has been established as security for the Bonds and Outstanding Contract Bonds. Pursuant to the Bond Resolution and the Trust Indenture, a determination is made with respect to amount, if any, of additional deposits to the Reserve Fund upon the issuance of additional contract tax bonds. No assurances can be made that additional monies will be deposited upon the issuance of additional contract tax bonds.
- (d) A Reserve Fund currently established in a fixed amount generally equivalent to six months debt service requirements on the Bonds and Outstanding Contract Bonds has been established as security for the owners of such bonds. Pursuant to the Trust Indenture, the Master District may adjust the amount required to be on deposit in the Reserve Fund each time it issues additional contract tax bonds. At the discretion of the Master District, the issuance of such additional contract tax bonds may result in the amount required to be on deposit in the Reserve Fund being less than six months debt service requirements on the Outstanding Contract Bonds. No assurance can be made that additional monies will be deposited to the Reserve Fund or that the amount required to be on deposit in the Reserve Fund will be maintained at any particular amount upon the issuance of additional contract tax bonds.
- (e) Based upon 3.0 residents per completed and occupied single-family home.

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OFFICIAL STATEMENT
relating to

\$4,460,000

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

Unlimited Contract Tax Bonds, Series 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Wilbarger Creek Municipal Utility District No. 2 (the “Master District”) of its \$4,460,000 Unlimited Contract Tax Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to the authority of the “Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities, Regional Water Supply and Delivery Facilities and Regional Drainage, Including Water Quality, Facilities” executed between the Master District and each Participant (as defined below) as approved by elections held within each Participant on May 3, 2003 (the “Master District Contract”), the Bond Resolution, the Trust Indenture, Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution and an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated June 12, 2018 approving the issuance of the Bonds.

Included in this Official Statement are descriptions, among others, of the Bonds, the Bond Resolution, the Trust Indenture, the Master District Contract, and certain other information about the Master District and Travis County Municipal Utility District No. 2 (“Travis MUD No. 2”); Cottonwood Creek Municipal Utility District No. 1 (“Cottonwood Creek”); Wilbarger Creek Municipal Utility District No. 1 (“Wilbarger No. 1”); and Wilbarger Creek Municipal Utility District No. 2 (“Wilbarger No. 2”) (collectively, the “Participants” and individually a “Participant”). ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of documents referenced herein may be obtained from the Master District, c/o Armbrust & Brown, PLLC, 100 Congress, Suite 1300, Austin, Texas 78701 or from the Master District’s Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

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

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” and “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” for a description of the Master District undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds will bear interest from the date of delivery, currently anticipated to be September 4, 2018, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on March 1, 2019 and each September 1 and March 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent”).

Redemption

Optional Redemption . . . The Bonds maturing on and after September 1, 2026 are subject to redemption prior to maturity at the option of the Master District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bond maturing on September

1, 2035 (the “Term Bonds”) is subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

| \$645,000 Term Bond Maturing September 1, 2035* | |
|--|---------------|
| Mandatory | |
| Redemption | Principal |
| <u>Date</u> | <u>Amount</u> |
| 2034 | 320,000 |
| 2035* | 325,000 |

*Stated Maturity.

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

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

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

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

DTC Redemption Provision

The Paying Agent and the Master District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond 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 Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Master District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the Master District or the Paying Agent. Neither the Master District nor the Paying Agent will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System . . . The Master District is initially utilizing the book-entry-only system in connection with the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.” In the event that the book-entry-only system is discontinued by DTC or the Master District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent as of the fifteenth (15th) day of the month (whether or not a business day) preceding each interest payment date (the “Record Date”)

upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration. . . If the book-entry-only system is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will 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 transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denomination of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the Master District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

Authority for Issuance

Voters within each Participant approved the Master District Contract at elections held on May 3, 2003, thereby, authorizing the issuance of the Bonds, Outstanding Contract Tax Bonds and future contract tax bonds. See "Additional Bonds" below.

By order dated June 12, 2018 the TCEQ authorized the Master District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS".

The Bonds are issued pursuant to the authority of the Master District Contract, the Bond Resolution, the Trust Indenture, Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, and the order of the TCEQ dated June 12, 2018 approving the issuance of the Bonds.

Source of and Security for Payment

The Bonds constitute valid and legally binding special obligations of the Master District, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion. The Bonds are payable solely from and to the extent that certain payments required by the Master District Contract are made by the Participants to the Trustee for the purpose of paying the debt service on the Bonds and Outstanding Contract Bonds. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District Obligations, including the Bonds and Outstanding Contract Bonds, and any future unlimited contract tax bonds based upon the Participants' certified assessed valuation as a percentage of the total assessed valuation of the Service Area. The debt service requirements shall be calculated to include the charge and expenses of paying agents, registrars and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. Each Participant is obligated to pay its pro rata share of the annual debt service on the Bonds and Outstanding Contract Bonds from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount, revenues derived from the operation of each Participant's internal water and wastewater system or from any other legally available funds of each Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a contract tax for the purpose of paying debt service on the Bonds and Outstanding Contract Bonds is the sole responsibility of each Participant. See "SUMMARY OF CERTAIN DOCUMENTS."

The Bonds and Outstanding Contract Bonds are secured by a Trust Indenture from the Master District to UMB Bank, N.A., Austin, Texas, as successor to BOKF, NA. Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments (as herein defined) required by the Master District Contract. See "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

Payment Record

The Master District has previously issued three series of unlimited contract tax bonds and three series of refunding bonds. See "COMPOSITE FINANCIAL STATEMENT – Outstanding Contract Tax Bonds." The Master District has never defaulted in payment of principal or interest on the Outstanding Contract Bonds. However, capitalized interest in an amount equal or up to two years' debt service requirements was included in each series of unlimited contract tax bonds, except the refunding bonds and the "Bonds."

Pledged Contract Payments by the Participants

Principal of and interest on the Bonds and Outstanding Contract Bonds are payable from and secured by an unconditional obligation to make certain payments that are to be made severally by the Participants pursuant to the Master District Contract for the purpose of paying their pro rata shares of debt service requirements which includes principal of and interest on the Bonds and any additional bonds, amounts to be deposited in the Reserve Fund and fees and charges due the Trustee and the Paying Agent (the "Pledged Contract Payments"). By execution of the Master District Contract, the Participants have each agreed to pay such pro rata share of debt service on the Bonds, Outstanding Contract Bonds and any additional bonds based upon the certified assessed valuation of each Participant as a percentage of the total assessed valuation of the Service Area. The Participants are obligated to make such debt service payments from the proceeds of an annual unlimited ad valorem contract tax levied by such Participant on land within its boundaries for such purpose (the "Contract Tax"). No Participant is liable for the payments due by any other Participant. The Bonds and Outstanding Contract Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds held by the Trustee under the Trust Indenture, and are not obligations of the State of Texas; Travis County, Texas; the City of Manor, Texas; or any entity other than the Master District. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." On or before September 1 of each year, or as soon thereafter as practical after all Participants have received their certified assessed values, the Master District shall calculate and send to the Participants the amount of Pledged Contract Payments due from each Participant in the following calendar year. Such Pledged Contract Payments shall be due and payable from each Participant directly to the Trustee semiannually on or before February 15 and August 15 of each year.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds and Outstanding Contract Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its overpayments.

Funds

Pursuant to the Trust Indenture, a Debt Service Fund and a Reserve Fund have been created as trust funds for the benefit of the registered owners of the Bonds and Outstanding Contract Bonds. The proceeds from Pledged Contract Payments collected for and on account of the Bonds and Outstanding Contract Bonds shall be transferred to the Trustee directly from each Participant by February 15 and August 15 of each year and then deposited in the Debt Service Fund. See "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

Defeasance of Outstanding Bonds

General . . . The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes 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 within the meaning of the Bond Resolution (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, 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) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent 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 (defined below) that 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, or (3) any combination of (1) and (2) above, and when proper arrangements

have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Resolution and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Resolution and the District will have no further responsibility with respect to the payment of such Defeased Bonds including any insufficiency to receive payments when due on the Defeased Securities.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the Master District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank 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 Master District or deposited as directed in writing by the Master District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of 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.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on 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 without 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 ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the Master District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the Master 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 Master District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank 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 or an eligible trust company or commercial bank 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 Master District or deposited as directed in writing by the Master District.

Trustee/Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by UMB Bank, N.A., having its principal payment office in Austin, Texas, the initial paying agent/registrar (the "Paying Agent"). The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds. The Master District has appointed UMB Bank, N.A., Austin, Texas, as Trustee, as successor to BOKF, NA, under the Trust Indenture. See "SUMMARY OF CERTAIN DOCUMENTS- Trust Indenture."

Provision is made in the Bond Resolution for the Master District to replace the Paying Agent by a resolution of the Master District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying

Agent. If the Paying Agent is replaced by the Master District, the new paying agent/registrars shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrars selected by the Master District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrars, if any, shall be determined by the Board and written notice thereof, specifying the name and address of such successor Paying Agent will be sent by the Master District or the successor paying agent/registrars to each registered owner by first-class mail, postage prepaid.

Record Date

The record date for payment of the interest on the Bonds on any regularly scheduled interest payment date is defined as the fifteenth (15th) day of the month (whether or not a business day) preceding such interest payment date.

Issuance of Additional Bonds

The Master District may issue an unlimited amount of additional contract tax bonds necessary to provide those improvements and facilities pursuant to the terms of the Master District Contract, with the approval of the TCEQ, and the Participants would be responsible for the debt service on such bonds. See "Source of and Security for Payment" above, "INVESTMENT CONSIDERATIONS – Future Debt" and "COMPOSITE FINANCIAL STATEMENT – Outstanding Contract Tax Bonds." The Bond Resolution imposes no limitation on the amount of additional contract tax bonds which may be issued by the Master District. Any additional contract tax bonds issued by the Master District may be on parity with the Bonds and Outstanding Contract Bonds.

The issuance of additional obligations may increase the Master District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional contract tax bonds for the construction or acquisition of additional Master District Facilities is subject to approval by the TCEQ pursuant to issuance guidelines established by it. See "INVESTMENT CONSIDERATIONS – Future Debt."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "MUNICIPAL BOND RATINGS AND INSURANCE."

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

If the Master District defaults in the payment of the principal of or interest on the Bonds when due, or the Master District defaults in the observance or performance of any of the covenants, conditions, or obligations of the Master District in the Bond Resolution, the Bond Resolution and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of

proper jurisdiction requiring the Master District to make such payment or observe and perform such covenants, obligations, or conditions. Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. Upon the occurrence of an Event of Default, the Trustee may proceed to protect and enforce the rights of the registered owners of the Bonds and Outstanding Contract Bonds. The Trust Indenture does provide certain limitations on the rights of registered owners to institute suits, actions or proceedings at law or in equity upon the occurrence of an Event of Default. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Resolution and the Master District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so its application rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Master District's sovereign immunity from a suit for money damages, registered owners or the Trustee may not be able to bring such a suit against the Master District for breach of the Bond or Bond Resolution covenants. Even if a judgment against the Master District could be obtained, it could not be enforced by direct levy and execution against the Master District's property or property within the Service Area. Further, the registered owners or the Trustee cannot themselves foreclose on property within the Master District or the Service Area or sell such property to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the enforcement of a claim for payment on the Bonds and Outstanding Contract Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "–Bankruptcy Limitation to Registered Owners' Rights" and "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

Annexation and Consolidation

Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the Master District or its residents. Under Senate Bill 6 approved by the 85th Texas Legislature First Special Session, amending Sections 43.001 et. seq. effective December 1, 2017 (the "Annexation Legislation"), certain municipalities (generally those municipalities wholly or partly located in a county with a population of 500,000 or more) may annex a special district 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. As of the most recent federal decennial census (2010), the population of Travis County, in which the City lies entirely, was more than 500,000; thus triggering the Annexations Legislation's stricter voter approval and/or landowner consent requirements discussed above.

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

Alteration of Boundaries

In certain circumstances, under Texas law any Participant (including the Master District) may alter its boundaries to (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the Master District or Participant that is not served by Master District Facilities or internal facilities of a Participant if the Participant simultaneously annexes land of equal acreage and value that may be practicably served by Master District Facilities and the internal facilities of such Participant. No representation is made concerning the likelihood that any Participant would effect any change to its boundaries.

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on June 12, 2018 (the "TCEQ Order").

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

No-Litigation Certificate

The Master District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Bonds, and of the Master District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the Master District from that set forth or contemplated in this Official Statement.

Amendments to Bond Resolution

The Master District may without the consent of or notice to any registered owners amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including (i) the curing of an ambiguity, inconsistency, or formal defect or omission therein (ii) adding covenants, limitations and restrictions not inconsistent with the Bond Resolution, and (iii) permitting the assumption of the Master District's obligations under the Bond Resolution. In addition, the Master District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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 DTC 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 Master District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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 Master 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 Master Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States 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 Master 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 Master 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 Master District or the Paying Agent/Registrar, on the 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 Master District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Master 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 Master 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 to each Beneficial Owner.

The Master 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 believed to be reliable, but none of the Master District, or the Financial Advisor, or the Underwriters takes any responsibility for the accuracy thereof.

SUMMARY OF CERTAIN DOCUMENTS

Master District Contract

Each of the Participants has executed the Master District Contract with the Master District and obtained the approval of the Master District Contract from the voters of each Participant at elections held separately within the boundaries of each Participant. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District bonds, including the Bonds, the Outstanding Contract Bonds and any future unlimited contract tax bonds based upon each Participant's assessed valuation as a percentage of the total certified assessed valuation in the Service Area. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount which includes the charges and expenses of paying agents, registrars, and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and the Outstanding Contract Bonds, and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on the Bonds and the Outstanding Contract Bonds. The Master District Facilities constructed or acquired to date have been acquired or constructed with funds provided by the Developers, proceeds of the Master District's Unlimited Contract Tax Bonds, Series 2006 (the "Series 2006 Bonds"), proceeds of the Master District's Unlimited Contract Tax Bonds, Series 2008 (the "Series 2008 Bonds"), and the proceeds of the Master District's Unlimited Contract Tax Bonds, Series 2017 (the "Series 2017 Bonds"). Future water LUE Fee payments, not including the water LUE Fee payments funded with the Bonds, required under the Water Supply Contract, are expected to be paid from surplus funds available from the Series 2006 Bonds, the Series 2008 Bonds, and the Series 2017 Bonds, any surplus funds available from the sale of the Bonds, developer advances and any other lawfully available funds of the Master District. In December 2008, the Master District acquired the

Wastewater Treatment Plant and was assigned Metro's interest in the Wastewater Treatment Contract. The Master District intends to finance future expansions of the Wastewater Treatment Plant through the issuance of bonds. Therefore, it is anticipated that no further LUE Fees will be charged for wastewater treatment capacity. The Master District Contract also provides for operation and maintenance expenses for facilities constructed or acquired pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The chart below further describes the Participants and their respective pro rata share of the Master District's outstanding debt, including the Bonds, based upon their aggregate 2018 Certified Assessed Valuations.

| Participant Name | 2018 Certified Assessed Valuation^(a) | Pro Rata Share of Master District Debt | Pro Rata Share of Average Annual Debt |
|-----------------------------|--|---|--|
| Cottonwood Creek | \$ 167,143,226 | 39.84% | \$ 503,173 |
| Travis MUD No. 2 | 206,826,786 | 49.30% | 622,637 |
| Wilbarger No. 1 | 37,962,619 | 9.05% | 114,284 |
| Wilbarger No. 2 | 7,571,916 | 1.80% | 22,795 |
| | <u>\$ 419,504,547</u> | <u>100.00%</u> | <u>\$ 1,262,888</u> |

(a) 2018 Certified Assessed Valuations as of January 1, 2018, as provided by TCAD.

The Master District owns and operates the Master District Facilities. Each Participant within the Service Area (including the Master District in its capacity as provider of internal water distribution, wastewater collection and storm drainage to serve the acreage within its boundaries) will own the internal water distribution, wastewater collection and storm drainage lines within their respective boundaries. Additionally, the Participants will operate, maintain and provide retail billing and collection for their respective internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participants, including the Master District in its role as Participant. It is anticipated that the Master District Facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the Master District Contract, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to each Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by each Participant for such Master District Facilities.

Each Participant is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract ("Monthly Charge"). The Monthly Charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equal to five months of operation and maintenance expenses or such other amount as determined by the Master District's Financial Advisor. For fiscal year 2018, the Master District's financial advisor has recommended maintenance of a five-month operation and maintenance reserve to be set aside in a separate fund by the Master District as well as maintenance of funds equal to approximately two months budgeted expenses in the Master District's general operating fund. Each Participant's share of operation and maintenance expenses and reserve requirements is calculated by the Master District based upon the following categories of costs: (i) direct costs, including LUE Fee payments and other costs directly incurred by the Participant; (ii) volume-related costs, including actual usage fees related to water supply and wastewater collection and treatment; and (iii) all other costs, including administrative costs. Each Participant is responsible for establishing rates and fees for water and wastewater service sufficient to pay its Monthly Charges. According to the Master District's Operator, the 2017 average monthly water and wastewater bill paid by residents within the Service Area was approximately \$102.89 based upon water usage of 7,700 gallons per month. See "INVESTMENT CONSIDERATIONS – Water, Wastewater and Water Quality." Pursuant to the Master District Contract, the Monthly Charges are to be paid from the water and wastewater revenues collected from the internal facilities of each Participant or, to the extent such revenues are not sufficient, the levy of an ad valorem contract tax.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees and charges for services provided by each Participant's water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay each Participant's operation and maintenance expenses, and each Participant's obligations pursuant to the Master District Contract, including each Participant's pro rata share of the Master District's debt service requirements and Monthly Charges. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to withhold, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the services rendered by the Master District under the Master District Contract. See "THE BONDS - Source of and Security for Payment" and "Unconditional Obligation to Pay." Under certain conditions the Master District may, with the consent of all Participants, extend the Service Area and provide services to other parties who will become Participants and agree to assume their pro rata share of the bonded indebtedness of the Master District Facilities in the same manner as the existing

Participants. In addition, the Master District may, with the consent of all Participants, provide services to others as long as the providing of such services does not impair the right of a Participant to receive service from the Master District. See "PARTICIPANTS IN CURRENT SERVICE AREA - Future Participants."

The Master District Contract and the Bond Resolution also reserve the right of the Master District to sell, encumber or dispose of the Master District Facilities under certain circumstances. Such sale, encumbrance or disposition can occur only if: (i) it is in accordance with the Master District Contract, (ii) does not impair the ability of the Participants to receive service under the Master District Contract or make payments on the Bonds, (iii) the Master District receives an opinion of nationally recognized bond counsel that it will not adversely affect the tax exempt status of the Bonds, (iv) the Participants do not incur debt or other obligations except as contemplated by the Master District Contract, and (v) the Master District makes a finding that it is in the best interest of the Master District and the Participants. The sale of the Master District Facilities is not currently contemplated by the Master District; however, no assurances can be given regarding whether the Master District will exercise this right under the Master District Contract.

Trust Indenture

The Bonds and Outstanding Contract Bonds are further secured by a Trust Indenture from the Master District to UMB Bank, N.A., Austin, Texas, as Trustee (as successor to BOKF, NA). Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments under the Master District Contract. Such Pledged Contract Payments, together with all amounts from time to time on deposit in the Debt Service Fund and Reserve Fund maintained by the Trustee pursuant to the Trust Indenture, together with any other security from time to time thereafter granted to the Trustee shall constitute the "Pledged Revenues" held by the Trustee under the Trust Indenture.

Pursuant to the Trust Indenture, the Trustee is to maintain the Debt Service Fund and Reserve Fund as trust funds to be held in trust solely for the benefit of the registered owners of the Bonds and Outstanding Contract Bonds. The Master District has covenanted in the Trust Indenture that it will cause to be charged to each Participant, and collected and deposited into the Debt Service Fund, Pledged Contract Payments in amounts sufficient, together with other Pledged Revenues, to provide for the payment of all interest due on the Bonds on or before each interest payment date and all principal payments on the Bonds and Outstanding Contract Bonds on each principal payment date. The Debt Service Fund and the Reserve Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Reserve Fund shall be used to pay interest on and principal of the Bonds and Outstanding Contract Bonds when insufficient funds are available for such purpose in the Debt Service Fund or to be applied toward the payment of principal of or interest on the Bonds and Outstanding Contract Bonds or additional bonds hereafter issued pursuant to the Master District Contract or in connection with the refunding or redemption of the Bonds and Outstanding Contract Bonds or any additional bonds.

The Trust Indenture provides that an Event of Default shall be either of the following occurrences:

- (a) Failure to pay when due the principal, redemption price or interest on any Bond; or
- (b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Bond no later than the date when it becomes due and payable.

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Master District and, subject to the other provisions of the Trust Indenture, may proceed to protect and enforce its rights and the rights of the registered owners of the Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Trust Indenture, Bond Resolution, Bonds or in aid of the execution of any power granted in the Trust Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such registered owner, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Master District and/or the Participants to make such payment (but only from and to the extent of the sources provided in the Trust Indenture) or to observe and perform its other covenants, obligations and agreements in the Trust Indenture. The Trust Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Bonds, may act as attorney in fact for the registered owners, that no remedy is exclusive, and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Trust Indenture does not provide for any acceleration of maturity of the Bonds or provide for the foreclosure upon any property or assets of the Master District or the Participant, other than applying the Pledged Revenues as defined in the Trust Indenture in the manner provided in the Trust Indenture.

The Trust Indenture imposes certain limitations on registered owners of Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the registered owners of not less than 25% of all Bonds and any additional bonds from time to time outstanding and secured by the Trust Indenture and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, registered owners of more than 50% of the aggregate principal amount of the Bonds and any additional bonds from time to time issued and outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Indenture.

Without the consent of the registered owners, the Master District and the Trustee may from time to time enter into one or more indentures supplemental to the Trust Indenture, which shall form a part of the Trust Indenture, for any one or more of the following purposes:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Indenture;
- (2) to grant to or confer upon the Trustee for the benefit of the registered owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the registered owners of the Bonds or the Trustee or either of them;
- (3) to subject to the lien of the Trust Indenture additional revenues, properties or collateral;
- (4) to modify, amend or supplement the Trust Indenture or any supplemental trust indenture in such manner as to provide further assurances that interest on the Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (5) to obtain bond insurance or a rating for the Bonds;
- (6) to permit any unlimited contract tax bonds to be issued in book-entry-only form; and
- (7) to permit the assumption of the Master District's obligations under the Trust Indenture by any other entity that may become the legal successor to the Master District; provided, however, that no provision in such supplemental trust indenture shall be inconsistent with the Trust Indenture or shall impair in any manner the rights of the registered owners.

Except as provided in the preceding paragraph, any modification, change or amendment of the Trust Indenture may be made only by a supplemental trust indenture adopted and executed by the Master District and the Trustee with the consent of not less than a majority of the aggregate principal amount of the Bonds then outstanding. However, without the consent of the holders of each outstanding Bond, no modification, change or amendment to the Trust Indenture shall:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that hereinbefore provided, or deprive such registered owner of the lien hereof on the revenues pledged under the Trust Indenture; or
- (2) change or amend the Trust Indenture to permit the creation of any lien on the revenues pledged hereunder equal or prior to the lien hereof, or reduce the aggregate principal amount of Bonds. In addition, if no Event of Default exists under the Trust Indenture and the Master District is not in default under the Bond Resolution, the Master District may, upon 60 days written notice to the Trustee and the Owners of the Bonds, discharge and remove the Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the owners of a majority in principal amount of the Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the owners of its intended resignation at least ninety (90) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first-class mail, postage prepaid to each registered owner. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed.

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the registered owners of a majority in principal amount of the Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such owners or their duly authorized representatives delivered to the Trustee, with notice thereof given to the Master District; provided, however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the registered owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the registered owners. The Master District shall provide written notice to the registered owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the Trust Indenture for providing notice of the resignation of the Trustee. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000.

In the event that no appointment of a successor Trustee is made by the registered owners or by the Master District for a period of 90 days from the receipt of notice of such resignation and removal pursuant to the Trust Indenture, the registered owner of any Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the following: (i) Rehabilitation and Expansion of the existing membrane bioreactor (MBR) wastewater treatment plant facility; (ii) Master Water System Sub-Meters; (iii) contingences associated with items nos. 1 and 2; (iv) engineering fees associated with items nos. 1 and 2; and (v) pay other costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$4,015,800 is required for construction costs, and \$444,200 is required for non-construction costs.

Construction Costs

A. Developer Contribution Items - None

| | |
|---|-------------|
| Total Developer Contribution Items | \$ - |
|---|-------------|

B. District Items

| | |
|--|--------------|
| 1. WWTP MBR Improvements | \$ 3,053,000 |
| 2. Master Sub-Meters | 125,000 |
| 3. Contingencies (10% of items nos. 1 and 2) | 317,800 |
| 4. Engineering (items nos. 1 and 2) | 520,000 |

| | |
|-----------------------------|---------------------|
| Total District Items | \$ 4,015,800 |
|-----------------------------|---------------------|

| | |
|---------------------------------|---------------------|
| Total Construction Costs | \$ 4,015,800 |
|---------------------------------|---------------------|

Non-Construction Costs

| | |
|---------------------------------------|-------------------|
| A. Legal Fees (2.75%) | \$ 122,650 |
| B. Fiscal Agent Fees (2.0%) | 89,200 |
| C. Underwriter's Discount (2.996421%) | 133,640 |
| D. Bond Issuance Expenses | 37,940 |
| E. Bond Application Report Costs | 45,000 |
| F. Attorney General Fee (0.10%) | 4,460 |
| G. TCEQ Bond Issuance Fee (0.25%) | 11,150 |
| H. Contingency ^(b) | 160 |
| | \$ 444,200 |

| | |
|-------------------------------------|---------------------|
| Total Bond Issue Requirement | \$ 4,460,000 |
|-------------------------------------|---------------------|

(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 the TCEQ rules on use of surplus Bond funds.

INVESTMENT CONSIDERATIONS

General

The Bonds are limited obligations of the Master District, payable solely from certain Pledged Contract Payments by each Participant and certain funds held by the Trustee under the Trust Indenture, and are not obligations of the City of Manor, Texas; the State of Texas; Travis County, Texas; or any other political subdivision or agency. The Bonds are payable solely from and to the extent of the Pledged Contract Payments and Pledged Revenues. The obligations of the Participants to make Pledged Contract Payments are several, not joint, obligations pro-rated among the Participants based upon a proportion of the assessed valuation of property within their respective boundaries to the assessed valuation of the Service Area. No Participant is obligated to pay the Pledged Contract Payments allocated to any other Participant. The security for payment of the principal of and interest on the Bonds, therefore, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to pay both debt service requirements on its direct unlimited tax bonds, if any, and to make its Pledged Contract Payments. Taxes collected by each Participant are allocated between Pledged Contract Payments which are the source of payment of the Bonds and Outstanding Contract Bonds and other ad valorem taxes levied by such Participant without priority of taxes levied for one purpose over taxes levied for any other purpose. The collection by each Participant of delinquent taxes owed to it and the enforcement by registered owners of the Participant's obligation to collect sufficient taxes, if required, may be a costly and lengthy process. Furthermore, the Master District and Participants cannot and do not make any representations that continued development of taxable property within the Service Area will accumulate or maintain taxable values sufficient to justify continued

payment of taxes by property owners or that there will be a market for the property, if such property is foreclosed upon by a Participant for non-payment of taxes. See "Registered Owners' Remedies" below and "THE BONDS - Source of and Security for Payment."

Factors Affecting Taxable Values and Tax Payments

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

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the Service Area and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the Master District is unable to assess the future availability of such funds for continued development and construction within the Service Area. In addition, the success of development within the Service Area and growth of the taxable property values within the Service Area are, to a great extent, a function of the Austin metropolitan and regional economics.

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

The competitive position of developers in the sale of developed lots and of homebuilders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the Service Area and tax revenues to be received by the Master District. The Master District can give no assurance that building and marketing programs in the Service Area by the Developers will be implemented or, if implemented, will be successful.

Developers Under No Obligation to the Master District: There is no commitment from, or obligation of, the Developers to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the Service Area, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the Service Area. The Participants are also dependent upon Developers and the other principal taxpayers for the timely payment of ad valorem taxes, and the Master District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPERS" and "TAX DATA - Principal Taxpayers."

Dependence Upon the Developer, Lot Owners and Builders: The growth of the tax base is dependent upon additional development of lots in the Service Area and the construction of homes thereon. The Developers are under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment by the Developers. The Master District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowner to whom such party may sell all or a portion of their holdings within the Service Area, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell their land. The Master District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts or failure of the Developers to develop their land would restrict the rate of growth of taxable value in the Service Area. See "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area - Status of Development" and "THE DEVELOPERS."

Regulatory Constraints: The Master District together with the other Participants is part of an approximately 1,514 acre master planned community. To the extent the remainder of acreage located within the Participants does not develop due to economic or other factors, including, without limitation, implementation of City of Manor and other governmental land use, water quality and other regulatory restrictions, such lack of development may have an adverse impact on the assessed valuation and tax rate within the Service Area.

Impact on Contract Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the Service Area will be the major determinant of the ability or willingness of the property owners within each Participant to pay their taxes. The aggregate 2018 Certified Assessed Valuation of the Service Area is \$423,410,958 (see "COMPOSITE FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$1,280,050 (2034) and the Average Annual Debt Service Requirement will be \$1,262,888 (2019 through 2035, inclusive). Assuming (1) no increase or decrease from the 2018 Certified Assessed Valuation, and (2) no use of funds on hand, a Pledged Contract Tax rate of \$0.33 per \$100 assessed valuation at a 95% collection rate would be necessary to pay each Participant's pro rata share of the Maximum Annual Debt Service Requirement of \$1,315,147 and a Pledged Contract Tax rate of \$0.32 per \$100 assessed valuation at a 95% collection rate would be necessary to pay each Participant's pro rata share of the Average Annual Debt Service Requirement of \$1,275,294. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

The Master District 2017 Pledged Contract Tax for debt service levied by each Participant was \$0.3500 per \$100 of assessed valuation. The Master District anticipates that future increases in taxable values of the Service Area will enable it to continue to meet debt service requirements on the Bonds and the Outstanding Contract Bonds without increasing the Pledged Contract Tax above the rates levied in 2017; however, the Master District can make no representation that the taxable property values in the Service Area will increase in the future or will maintain a value sufficient to support the aforementioned Pledged Contract Tax or to justify continued payment of taxes by property owners. See "COMPOSITE FINANCIAL STATEMENT," "TAX DATA - Tax Adequacy for Debt Service," and "APPENDIX A – Certain Financial Information Regarding the Participants."

The Service Area property owners are or will be responsible for the payment of ad valorem taxes levied by each Participant to pay its bonds previously issued or to be issued in the future. See "APPENDIX A – Certain Financial Information Regarding the Participants" for a listing of outstanding debt of the Participants. Maintenance of each Participant's tax rate will be contingent upon the continued growth within the boundaries of each Participant and within the Service Area. Otherwise, an increase in the tax rate levied to pay the Participant's direct unlimited tax bonds would be necessary to service debt. Absent adequate future growth, the composite tax rate applicable to the Participants could become so high as to adversely affect development in the Service Area, and to jeopardize the ability of the Participants, including the Master District, to levy and collect taxes necessary to meet debt service requirements on outstanding indebtedness, including the Bonds.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. The aggregate amount of taxes imposed by such entities could materially affect development and the sale of homes in the Service Area. See "TAX DATA - Overlapping Taxes for 2017."

Foreclosure of Property within the Service Area

In May 2009, RFC Construction Funding, LLC ("RFC"), the owner and holder of various promissory notes evidencing indebtedness of ShadowGlen Residential Community, Ltd. ("SRCL") foreclosed on a deed of trust lien granted by SRCL on certain property in the Service Area securing such indebtedness, including 166 developed vacant lots and approximately 329 undeveloped acres (the "Foreclosed Property"). The Foreclosed Property consisted of 101 developed vacant lots and approximately 102 undeveloped acres in Travis MUD No. 2, 65 developed vacant lots in Wilbarger No. 1 and approximately 227 undeveloped acres in Wilbarger No. 2. SRCL's general partner was McGuyer Homebuilders Inc., a Texas corporation, and its limited partners included ShadowGlen Development Corporation, a Texas corporation ("SDC"), and MHI Partnership Ltd., a Texas limited partnership ("MHI"). At the foreclosure sale, the Foreclosed Property was purchased by RC Properties XIV, LLC, a Delaware limited liability company ("RCP"), an affiliate of RFC. On September 25, 2009, 2009 XIF, LLC ("XIF"), a Texas limited liability company, whose members are parties related to MHI, purchased the Foreclosed Property from RCP.

In December 2010, SRCL, XIF and SDC entered into a joint venture and formed 2010 ShadowGlen LLC, a Texas limited liability company ("2010 ShadowGlen"), to own and develop the remaining residential portions of the Foreclosed Property that had not been sold to residents or homebuilders. On December 31, 2010 and January 5, 2011, SRCL, XIF and SDC conveyed developed single-family lots and undeveloped land and assigned development rights relating to property in the Foreclosed Property to 2010 ShadowGlen. In connection with the formation of 2010 ShadowGlen, Cottonwood Holdings, Ltd., a Texas limited partnership ("CHL"), conveyed its remaining residential acreage within the Participants to SDC, which, in turn, contributed that property to 2010 ShadowGlen.

In December 2012, SG Land Holdings LLC ("SG Land Holdings"), a Delaware limited liability company, acquired all of the property in the Foreclosed Property owned by 2010 ShadowGlen. SG Land Holdings is owned by Southwest Shadow Holdings LLC, a Delaware limited liability company, and ColFin Shadow Investor LLC, a Delaware limited liability company. SG Land Holdings has engaged Argent Management LLC as its development manager to manage the development within the Foreclosed Property.

Overlapping and Combined Tax Rates

The combined tax rate projection for each of the Participants reflects the Participant's projected debt service and maintenance tax rates as well as the contract tax levied pursuant to the Master District Contract. The tax rate that may be required to service debt on any bonds issued by a Participant is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each Participant, the amount of direct unlimited tax bonds issued by each Participant, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Service Area will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected. The combined 2017 tax levies of each Participant (including the Pledged Contract Tax) was \$0.9173 per \$100 Assessed Valuation for Travis MUD No. 2, \$0.8500 per \$100 Assessed Valuation for Cottonwood Creek, \$0.8780 per \$100 Assessed Valuation for Wilbarger No. 1, and \$0.9500 per \$100 Assessed Valuation for Wilbarger No. 2. Such a combined tax levy is higher than the tax levy of many municipal utility districts in the Austin metropolitan area, although such a combined levy is within the range of levies imposed for similar purposes by certain municipal utility districts in the Austin metropolitan area in stages of development comparable to the Service Area.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Travis County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The total combined tax rate for the Participants includes each Participant's projected tax rate including the Pledged Contract Tax. The projections for the Participants are consistent with the rules of the TCEQ. If the total combined tax rate of the Participants should ever exceed \$1.20, the Participant exceeding \$1.20 and the Master District could be prohibited under rules of the TCEQ from selling additional bonds. See "Impact on Contract Tax Rates" above.

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

Water, Wastewater and Water Quality

Each Participant is further obligated to pay Monthly Charges to the Master District for water, wastewater and water quality services rendered pursuant to the Master District Contract. The Monthly Charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to five months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is calculated by the Master District based upon the following categories of costs: (i) direct costs, including LUE fee payments and other costs directly incurred by the Participant; (ii) volume-related costs, including actual usage fees related to water supply and wastewater collection and treatment; and (iii) all other costs, including administrative costs. See "MASTER DISTRICT FACILITIES – Water and Wastewater Operations."

Undeveloped Acreage

There are approximately 1,476.52 developable acres of land within the Service Area, of which approximately 858.06 (not accounting for approximately 48.92 acres currently under construction or design) have not been provided with internal water distribution and wastewater collection facilities necessary to the construction of taxable improvements. All of the developed acreage within the Service Area has been provided with Master District Facilities for water distribution and wastewater collection. All of the Master District Facilities necessary to serve the developable acres of land within the Participants have been constructed by the Developers for the Master District, with the exception of (i) a proposed elevated storage tank and (ii) future expansions of the Wastewater Treatment Plant. The proposed elevated storage tank is estimated to be needed once 2,500 connections have been constructed. The Master District recently commissioned an updated water model in order to project more specifically when the proposed elevated storage tank will be required. According to Jones & Carter, and based on the Developer's current development projections, the proposed elevated storage tank would need to be operational by 2021. This date is subject to change depending on the actual build out.

The Master District's wastewater treatment plant has a current capacity of 500,000 gallons per day (gpd), which is sufficient to serve 1,667 LUE's based upon an average daily flow of 300 gpd per LUE. An expansion of the wastewater treatment plant may be required as soon as 1,667 connections have been constructed; however, current and historical flows have averaged less than 250 gpd per LUE, and the current capacity would be sufficient for 2,000 connections if the average flows do not increase.

The proposed bond issue will provide funding for the rehabilitation, upgrade, and expansion of the water treatment plant. Jones & Carter will prepare an application to TCEQ for authorization of the proposed construction and an increase in the authorized discharge capacity in the permit.

Effects of Master Planned Community/Regulatory Constraints

The owners of property within the Service Area have represented that they intend to sell developed lots to homebuilders or office/retail developers in the Service Area. See "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area," and "THE DEVELOPERS." However, the Developers have no legal obligation to the Master District to carry out their current plans or any other plans of development within the Service Area. Furthermore, there is no restriction on the Developers or other landowners selling their land. The Master District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developers. See "*Factors Affecting Taxable Values and Tax Payments*" above.

Neither the Developers nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See "THE DEVELOPERS." Furthermore, the Developers have no binding commitment to the Master District or to the Participants to carry out any plans of development in the Service Area, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment.

Dependence on Principal Taxpayers

Principal taxpayers within the Master District represent approximately 13.69% (\$47,217,820) of the 2017 taxable property value of the property within the Service Area. In the event that such taxpayers, or any other principal taxpayer or developer should default in the payment of taxes in an amount which exceeds the Master District's debt service fund surplus, the ability of the Master District to make timely payment of debt service on the Bonds will be dependent on its ability and the ability of each Participant to collect taxes (including the Pledged Contract Tax) from such delinquent taxpayer and other taxpayers within the Service Area. Failure to recover or borrow funds in a timely fashion could result in an increase in the Pledged Contract Tax rate. See "THE DEVELOPERS," "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Rights in the Event of Tax Delinquencies."

Tax Collections Limitations and Foreclosure Remedies

The Master District's ability to make debt service payments may be adversely affected by each Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the Participants constitutes a lien in favor of each Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. A

Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the Participant's boundaries and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the boundaries of a Participant available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA - Overlapping Taxes for 2017"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayer's right to redeem property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within a Participant's boundaries pursuant to the Federal Bankruptcy Code could stay any attempt by such Participant to collect delinquent ad valorem taxes assessed against such taxpayer.

Registered Owners' Remedies

Remedies available to registered owners in the event of default by the Master District in one or more of its obligations under the Bond Resolution are limited. Although State law and the Bond Resolution provide that the registered owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time consuming, costly and difficult to enforce. 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 Master District. See "THE BONDS – Remedies in Event of Default" and "INVESTMENT CONSIDERATIONS - Bankruptcy Limitation to Registered Owners' Rights."

Bond Insurance Risk Factors

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, the Trustee, on behalf of the owners of the Bonds, shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Master District which is recovered by the Master District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Master District (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Remedies in Event of Default"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the holders of the Bonds.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from certain Pledged Contract Payments by each Participant and certain funds held by the Trustee under the Trust Indenture. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in "MUNICIPAL BOND RATINGS" AND "BOND INSURANCE" herein.

The obligations of the Insurer under a Policy are unsecured obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy and insurance law. None of the Master District, the Financial Advisor or the Underwriters has made independent investigation into the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers. Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and Fitch Ratings have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of the Master District to pay principal of and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Participants and the Master District. Subject to the requirements of Texas law discussed below, a political subdivision such as the Participants and the Master District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the Participants and the Master District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state

law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under the Texas Water Code, a municipal utility district, such as the Participants and the Master 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 the Participants and the Master District with Texas law requirements, the Participants and the Master District could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

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

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the Master District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in a Participant or the Master District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in a Participants or the Master District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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

Continuing Compliance with Certain Covenants

Failure of the Master 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."

Future Debt

Pursuant to the Master District Contract, the Master District may sell unlimited contract tax bonds in an amount necessary to provide the facilities intended to be provided by the Master District on a parity with the Bonds. The Master District anticipates that it will continue to issue unlimited contract tax bonds in installments over the next several years. The Master District expects to fund and/or reimburse the costs of expanding the wastewater treatment facilities and/or additional water storage facilities as development demands occur. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Service Area (assuming projected increases in the value of taxable property made at the time of issuance of bonds are accurate). The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "*Impact on Contract Tax Rates*" above and "THE BONDS – Issuance of Additional Bonds."

The Master District has the right to issue obligations other than the Bonds, including unlimited tax bonds for the purpose of financing internal water, wastewater and storm drainage facilities within its boundaries, tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. As a Participant, the voters of the Master District have authorized the issuance of \$39,340,000 principal amount of unlimited tax bonds for water, sewer and drainage purposes and \$3,995,000 principal amount of unlimited tax bonds for park and recreational facilities, all of which remains authorized but unissued. Additionally, certain districts, such as the Participants, can issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the construction and maintenance of roads. The Participants have not received TCEQ approval or called an election to authorize bonds for such purpose but may consider doing so in the future.

Governmental Approval

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the Master District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order signed on June 12, 2018 (the "TCEQ Order"). In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

No Requirement to Build on Developed Lots

There is currently no requirement that individuals or other purchasers of developed lots within the Master District or the other Participants commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the Master District and the other Participants.

Environmental Regulation

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

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

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

Air Quality Issues. The Federal Clean Air Act ("CAA") requires the United States Environmental Protection Agency (the "EPA") to adopt and periodically revise national ambient air quality standards ("NAAQS") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated 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 an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin

Area”), was not designated “nonattainment” for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

On October 1, 2015, the EPA adopted new NAAQS for ground level ozone of 70 ppb. On November 6, 2017, the EPA issued final designations for the 2015 Ozone NAAQS for most areas of the United States and found that the Austin Area met the standards and thus designated the Austin Area “attainment/unclassified.”

Should the Austin Area fail to achieve attainment under EPA NAAQS, or should the Austin 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 Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of 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 Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

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

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

Pursuant to the Safe Drinking Water Act, the potable (drinking) water provided by the Master District to its end users for consumption is subject to extensive federal and state regulation, such as, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ has adopted rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by the Master District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. The Master District was granted a permit to dispose of treated effluent via discharge into Wilbarger Creek, a tributary of the Colorado River.

Operations of the Master District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate storm sewer systems (“MS-4”). The Master District does not currently meet the criteria that require compliance with the MS-4 permit. The Master District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The Master District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect

the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Master District, that are not purely historical, are forward-looking statements, including statements regarding the Master 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 Master District on the date hereof, and the Master 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 and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competition, 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

Central Texas, like other areas of the State, is susceptible to drought conditions. Each of the Participants has adopted a water conservation and drought contingency plan and implements water restrictions for residents within its service area as conditions warrant. Metro H2O, Ltd., as the wholesale water supplier to the Master District, provides water to the Master District in amounts sufficient to service the residents of the Master District, however, if the Master District experiences drought conditions, water usage, rates and revenues could be impacted.

THE MASTER DISTRICT

General

The Master District along with the other three Participants were created as conservation and reclamation districts for the purpose of providing water, wastewater and drainage facilities to the acreage within their respective boundaries. Pursuant to an election held within the boundaries of each Participant, each Participant approved the Master District Contract which designates Wilbarger Creek Municipal Utility District No. 2 as the "Master District" to serve as the regional provider of water and wastewater facilities to serve development within the Participants. The Master District Contract also authorizes the Master District to issue contract tax bonds to acquire, purchase, construct and maintain the Master District Facilities to serve the Participants. The Master District will own and operate the Master District Facilities. See "MASTER DISTRICT FACILITIES."

Service Area

The chart below more completely describes the Participants including each Participant's acreage and projected ultimate living unit equivalents ("LUEs") based on current land use plans.

| Participant | Gross Acreage ^(a) | Existing LUEs ^(b) | Projected Ultimate LUEs ^(c) |
|----------------------------|---------------------------------|---------------------------------|---|
| Cottonwood Creek MUD No. 1 | 417.675 | 677.00 | 2,216 |
| Travis Co. MUD No. 2 | 404.081 | 809.00 | 1,247 |
| Wilbarger Creek MUD No. 1 | 300.416 | 212.00 | 1,555 |
| Wilbarger Creek MUD No. 2 | 392.080 | - | 1,449 |
| Subtotal | 1,514.252 | 1,698.00 | 6,467.00 |
| Park & Irrigation | - | - | 100.00 |
| Total | 1,514.252 | 1,698.00 | 6,567.00 |

(a) Gross acreage includes all easements, rights-of-way and any other undevelopable acreage.

(b) As of May 24, 2018.

- (c) Provided by the Developers and represents the existing land use plan. The Master District makes no representation that property within the Master District or within the Participants will develop as shown above.

The currently estimated 6,567 LUEs projected to be developed within the Participants are in excess of the 6,010 LUEs currently reserved for the Participants under the Regional Agreements. The Participants expect to commence negotiations with the Master District, with respect to the Wastewater Treatment Contract, and with Metro, with respect to the Water Supply Contract, regarding amending these contracts to increase the existing LUE capacities. See "MASTER DISTRICT FACILITIES – Water Supply and Distribution" and "– Wastewater Collection and Treatment."

PARTICIPANTS IN CURRENT SERVICE AREA

Creation, Authority and Description

The Participants operate as municipal utility districts pursuant to Chapter 49 and Chapter 54 of the Texas Water Code, as amended. The creation of the Participants was initiated to finance the construction of water, wastewater and drainage facilities within the Participants' boundaries. The Participants were created by separate orders of the TCEQ or its predecessor agency.

The Participants are empowered to exercise all powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may issue bonds, with the approval of the TCEQ and the authorization of its board of directors and (if payable from taxes) its voters, to acquire and maintain facilities necessary to provide water, wastewater, and drainage services to the land within its boundary. Each Participant may also establish, operate, and maintain a fire department or contract for firefighting services, if the TCEQ and the voters within the Participant approve a plan for that purpose. Listed below is a description of the outstanding debt of the Participants for internal water, wastewater and drainage facilities as of July 25, 2018.

| Participant Name | District Outstanding Debt |
|-----------------------------|--|
| Cottonwood Creek | \$ 8,430,000 |
| Travis MUD No. 2 | 12,445,000 |
| Wilbarger No. 1 | 3,030,000 |
| Wilbarger No. 2 | - |

Operations

Pursuant to the Master District Contract, the Master District will deliver or cause to be delivered potable water to each of the Participants. The Master District will also collect or cause to be collected domestic wastewater from the Participants using wastewater services, which the Master District treats and discharges or causes to be treated and discharges pursuant to the Wastewater Treatment Contract. See "INVESTMENT CONSIDERATIONS" and "MASTER DISTRICT FACILITIES." The Master District is satisfying its obligations under the Master District Contract relating to potable water through the Water Supply Contract, as amended, and the Capacity Assignment. See "MASTER DISTRICT FACILITIES." The Master District will be responsible for establishing and revising Monthly Charges for services to be furnished and made available to the Participants so that gross operating revenues received by the Master District from the Master District Facilities will at all times be not less than an amount sufficient to pay all operations and maintenance expenses of the Master District Facilities and to provide or replenish an operation and maintenance reserve.

Management

Each Participant is governed by a board of directors consisting of five members, which has control and management of all affairs of that Participant. A directors election is held within the boundaries of each Participant in even-numbered years. Director elections are held on the first Tuesday after the first Monday in November of each even-numbered year. Directors are elected to serve four-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants has any employees. Each Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each Participant, and operation of each Participant's water, wastewater and storm drainage facilities is subject to regulation by several other state and local agencies.

Financial Data

For a description of the status and history of development within each Participant, its debt structure, principal taxpayers, tax base and collection history see "APPENDIX A - Certain Financial Information Regarding the Participants."

Future Participants

The Master District has contracted with the Participants covering the entire Service Area. The Service Area may only be enlarged upon approval of all of the Participants. The Master District has the right to contract with other participants but only with the consent of all Participants. Any contract with a participant outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities are subject to the terms and conditions of the Master District Contract and must not impair the right of any Participant to receive services from the Master District except with the consent of the Participants. The Master District has agreed that it will only contract with other participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract.

The Master District Contract also provides that the Master District may serve customers which are not Participants ("Non-Participants") as long as (i) all of the Participants approve of such service, and (ii) Non-Participants agree to pay rates for services equal to the cost of providing water and wastewater services, and the pro rata share of the capital cost of the Master District Facilities necessary to serve the Non-Participants. See "Service Area – Status of Development" below.

Service Area – Status of Development

Pursuant to the Master District Contract, the Master District is responsible for providing water and wastewater facilities to serve the approximately 1,514 acre Service Area. As of July 11, 2018, the Master District serves 1,762 completed single-family homes, 125 homes under construction and 263 vacant developed single-family lots within the Service Area. The chart on the following page more completely describes the status of development within the Service Area as of July 11, 2018.

| | | | | | Single-Family | | |
|---|-----------------------------------|------------------|-----------------|-------------------|---------------|--------------|------|
| Participant | Section | Gross Acreage | Platted Lots | Square Footage | Under | Vacant | |
| | | | | | Completed | Construction | Lots |
| A. Developed with Utility Facilities | | | | | | | |
| Travis MUD No. 2 | ShadowGlen Sec 1A, 2A, 3A & 4A | 48.80 | 139 | - | 139 | - | - |
| Travis MUD No. 2 | ShadowGlen Sec 1B, 2B, 3B & 4B | 55.90 | 208 | - | 208 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 5 | 9.10 | 39 | - | 39 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 6 | 8.40 | 35 | - | 35 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 7 | 13.10 | 60 | - | 60 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 8 | 12.60 | 55 | - | 55 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 10 | 12.50 | 54 | - | 54 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 12 & 13 | 24.70 | 67 | - | 29 | 6 | 32 |
| Travis MUD No. 2 | ShadowGlen Section 14A | 15.10 | 56 | - | 55 | - | - |
| Travis MUD No. 2 | ShadowGlen Section 14B1 | 10.30 | 43 | - | 38 | 4 | 1 |
| Travis MUD No. 2 | ShadowGlen Section 14B2 | 13.20 | 54 | - | 36 | 3 | 15 |
| Travis MUD No. 2 | ShadowGlen Section 16 | 33.63 | 85 | - | 13 | 14 | 58 |
| Travis MUD No. 2 | Commercial | 6.60 | - | 51,000 | - | - | - |
| Travis MUD No. 2 | Amenity Center | 4.00 | - | - | - | - | - |
| Subtotal - Travis Co. MUD No. 2 | | 267.93 | 895 | 51,000 | 761 | 27 | 107 |
| | | | | | | | |
| Cottonwood Creek | Presidential Meadows, Section 1 | 32.50 | 93 | - | 93 | - | - |
| Cottonwood Creek | Presidential Meadows, Section 2 | 21.60 | 107 | - | 107 | - | - |
| Cottonwood Creek | Presidential Meadows, Section 3 | 13.70 | 83 | - | 83 | - | - |
| Cottonwood Creek | Presidential Meadows, Section 4 | 37.30 | 108 | - | 108 | - | - |
| Cottonwood Creek | Presidential Meadows, Section 5 | 17.60 | 95 | - | 83 | - | 12 |
| Cottonwood Creek | Presidential Meadows, Section 6 | 20.20 | 89 | - | 89 | - | - |
| Cottonwood Creek | Presidential Meadows, Section 7 | 2.90 | 14 | - | 8 | 1 | 5 |
| Cottonwood Creek | Presidential Meadows, Section 8 | 20.70 | 102 | - | 96 | 2 | 4 |
| Cottonwood Creek | Presidential Meadows, Section 9 | 30.70 | 129 | - | 60 | 33 | 36 |
| Cottonwood Creek | Presidential Meadows, Section 10 | 19.10 | 102 | - | 95 | 4 | 3 |
| Cottonwood Creek | Presidential Meadows, Section 13 | 21.80 | 121 | - | - | 40 | 81 |
| Cottonwood Creek | Commercial | 2.50 | - | 5,500 | - | - | - |
| Subtotal - Cottonwood Creek MUD No. 1 | | 240.60 | 1,043 | 5,500 | 822 | 80 | 141 |
| | | | | | | | |
| Wilbarger No. 1 | ShadowGlen Phase 2, Section 15A | 12.20 | 54 | - | 54 | - | - |
| Wilbarger No. 1 | ShadowGlen Phase 2, Section 15B | 15.30 | 83 | - | 81 | - | 2 |
| Wilbarger No. 1 | ShadowGlen Phase 2, Section 19A | 14.80 | 75 | - | 44 | 18 | 13 |
| Wilbarger No. 1 | Elementary School | 11.60 | - | - | - | - | - |
| Wilbarger No. 1 | Shadow Glen Trace Commercial | 4.00 | - | - | - | - | - |
| Wilbarger No. 1 | Roads | 3.11 | - | - | - | - | - |
| Subtotal -Wilbarger Creek MUD No. 1 | | 61.01 | 212 | - | 179 | 18 | 15 |
| Total Developed with Utility Facilities | | 569.54 | 2,150 | 56,500 | 1,762 | 125 | 263 |
| B. Single-Family Utilities Under Construction and/or Design | | | | | | | |
| | | | | | | | |
| Cottonwood Creek | Presidential Meadows, Section 11 | 28.97 | 133 | - | - | - | - |
| Wilbarger No. 1 | ShadowGlen Phase 2, Section 19B | 9.15 | 49 | - | - | - | - |
| Wilbarger No. 1 | ShadowGlen Phase 2, Section 20 | 10.80 | 72 | - | - | - | - |
| Total Utility Facilities Under Construction and/or Design | | 48.92 | 254.00 | - | - | - | - |
| Total Developed with Utility Facilities or Under Construction and/or Design | | 618.46 | | | | | |
| C. Remaining Undeveloped but Developable Acreage | | | | | | | |
| | | | | | | | |
| Travis MUD No. 2 | Single-Family | 124.67 | | | | | |
| Travis MUD No. 2 | Commercial | 5.10 | | | | | |
| | | 129.77 | | | | | |
| Cottonwood Creek | Single-Family | 84.33 | | | | | |
| Cottonwood Creek | Commercial | 44.20 | | | | | |
| Cottonwood Creek | Amnity Center/School/Storage Tank | 19.60 | | | | | |
| | | 148.13 | | | | | |
| | | | | | | | |
| Wilbarger No. 1 | Single-Family | 173.56 | | | | | |
| Wilbarger No. 1 | Multi-Family | 17.30 | | | | | |
| Wilbarger No. 1 | Park/Elevated Storage Tank | 28.60 | | | | | |
| | | 219.46 | | | | | |
| | | | | | | | |
| Wilbarger No. 2 | Single-Family | 313.46 | | | | | |
| Wilbarger No. 2 | Multi-Family | 27.00 | | | | | |
| Wilbarger No. 2 | Employment Center/Office | 20.24 | | | | | |
| | | 360.70 | | | | | |
| Total Remaining Undeveloped But Developable | | 858.06 | | | | | |
| D. Undevelopable Acreage | | | | | | | |
| Travis MUD No. 2 | | 6.41 | | | | | |
| Cottonwood Creek | | - | | | | | |
| Wilbarger No. 1 | | - | | | | | |
| Wilbarger No. 2 | | 31.40 | | | | | |
| Total Undevelopable Acreage | | 37.81 | | | | | |
| Total Master District Acreage | | 1,514.33 | | | | | |

(a) Includes Section 24A (15.80 acres; platted as 66 single-family lots) and Section 24B (11.27 acres; platted as 59 single-family lots); construction by Meritage Homes of the utility facilities serving Section 24 and Section 24B is expected to begin in August 2018 and is expected to be completed by the end of the first quarter of 2019. Although Meritage Homes is constructing such utility facilities, SG Land Holdings has retained reimbursement rights to relevant bond proceeds.

THE DEVELOPERS

Role of the Developers

In general, the activities of a landowner or developer within a utility district, such as the Master District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Historical Development – Shadow Glen Subdivision

In September 2001, ShadowGlen Development Corporation, a Texas corporation ("SDC"), entered into an option contract with CHL (the "Option Contract") to purchase substantially all of the remaining acres located within Travis MUD No. 2 as well as approximately 454 total acres located within Wilbarger No. 1 and Wilbarger No. 2. SDC and ShadowGlen Residential Community, Ltd., a Texas limited partnership ("SRCL"), purchased all of the acreage within Travis MUD No. 2 covered by the Option Contract in November 2001 except approximately 95 acres which was retained by CHL and later conveyed to 2010 ShadowGlen. CHL currently owns approximately 9.4 acres to be developed for commercial/retail uses.

SRCL's general partner was McGuyer Homebuilders, Inc., a Texas corporation, and its limited partners included SDC and MHI Partnership Ltd., a Texas limited partnership ("MHI"). MHI is a privately held Texas homebuilding company which was formed in 1988 for the purpose of purchasing developed lots and constructing homes. Additionally in 1994, MHI began developing raw land into single-family lots. Since 1988, MHI and its affiliates have developed over 20 single-family subdivisions in Houston, Dallas, San Antonio and Austin and currently have approximately 2,000 acres under development.

SRCL purchased 228 acres within Travis MUD No. 2 from SDC for the purpose of developing such acreage as the single-family residential subdivision of ShadowGlen. No development occurred within Travis MUD No. 2 until May 2002 when SRCL commenced construction of utility facilities to serve ShadowGlen Phase One, Sections 1A, 2A, 3A, and 4A (approximately 48 acres, platted as 139 lots). Such construction was completed in June 2003. In January 2003, SRCL began marketing developed single-family lots to homebuilders. Also in 2003, SRCL commenced construction of utility facilities to serve Phase One Sections 1B, 2B, 3B, and 4B (approximately 56 acres; platted as 208 lots) and such construction was completed in January 2004.

In August 2004, SRCL began constructing utility facilities to serve ShadowGlen, Sections 5, 6, 7 and 8 (approximately 43 acres, platted as 189 single-family lots) and such construction was completed by 2005. In December 2005, SRCL began constructing utility facilities to serve ShadowGlen, Section 14A (approximately 15 acres, platted as 56 single-family lots) and such construction was completed by June 2006. In June 2006, SRCL began construction of utility facilities to serve ShadowGlen, Section 10 (approximately 12 acres, platted as 54 single-family lots) and such construction was completed by January 2007.

Additionally, SRCL began construction of utility facilities to serve ShadowGlen, Sections 12 & 13 (approximately 25 acres, platted as 67 single-family lots) in April 2008 and such construction was completed by August 2008. From 2002 until April 2009, approximately 205 acres were developed in Travis MUD No. 2.

Foreclosure on SRCL

In May 2009, SRCL's remaining vacant developed lots (101 lots) and remaining undeveloped acreage (approximately 102 acres) in Travis MUD No. 2 were foreclosed upon by RFC Construction Funding, LLC, a Delaware limited liability company and a subsidiary of General Motors Acceptance Corporation ("RFC"), which held various promissory notes evidencing indebtedness of SRCL. The foreclosed property also included land located in Wilbarger No. 1 and the Master District (the foreclosed property within Travis MUD No. 2, Wilbarger No. 1 and Wilbarger No. 2, all of which is located within the Master District Service Area and is collectively referred to as the "Foreclosed Property"). At the foreclosure sale, the Foreclosed Property was purchased by RC Properties XIV, LLC ("RC Properties"), an affiliate of RFC.

On September 25, 2009, 2009 XIF, LLC ("XIF"), a Texas limited liability company whose members are parties related to MHI, purchased the

Foreclosed Property from RC Properties.

At the time of the foreclosure sale in May 2009, SRCL had developed approximately 205 acres in Travis MUD No. 2 as 713 single-family lots and approximately 4 acres for an amenity center. XIF continued the development of residential property within Travis MUD No. 2 until December 2010.

In December 2010, SRCL, XIF and SDC entered into a joint venture and formed 2010 ShadowGlen LLC, a Texas limited liability company ("2010 ShadowGlen"), to own and develop the remaining residential portions of the Foreclosed Property that had not been sold to residents or homebuilders. On December 31, 2010 and January 5, 2011, SRCL, XIF and SDC conveyed developed single-family lots and undeveloped land and assigned development rights relating to property in the Foreclosed Property to 2010 ShadowGlen. In connection with the formation of 2010 ShadowGlen, CHL conveyed its remaining residential acreage within the Participants to SDC, which, in turn, contributed that property to 2010 ShadowGlen.

In December 2012, SG Land Holdings LLC ("SG Land Holdings"), a Delaware limited liability company, acquired all of the property in the Foreclosed Property owned by 2010 ShadowGlen. SG Land Holdings is owned by Southwest Shadow Holdings LLC, a Delaware limited liability company, and ColFin Shadow Investor LLC, a Delaware limited liability company. SG Land Holdings has engaged Argent Management LLC as its development manager to manage the development within the Foreclosed Property.

As of July 11, 2018, SG Land Holdings has completed construction of the utility facilities to serve 267.93 acres within Travis County MUD No. 2. As of July 11, 2018, SG Land Holdings has completed construction of the utility facilities to serve 61.01 acres within Wilbarger Creek MUD No. 1. See "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area - Status of Development."

Presidential Meadows Subdivision

In October 2002, SVWW Manor Limited Partnership ("SVWW") acquired for cash approximately 143 acres within Cottonwood Creek. Concurrently, Presidential Meadows Limited Partnership ("Presidential") acquired approximately 229 acres within Cottonwood Creek with an approximate \$3 million seller note. The seller, IBC Partners, Ltd. ("IBC"), which originally provided the financing for this sale, retained approximately 45 acres of commercial frontage along US 290. Presidential refinanced the seller note with CitiBank. According to Presidential, the CitiBank loan is paid off. SVWW developed approximately 105 acres within Cottonwood Creek as 391 single-family lots. These include Presidential Meadows Section 1 developed as 32.5 acres and 93 lots, Presidential Meadows Section 2 developed as 21.6 acres and 107 lots, Presidential Meadows Section 3 developed as 13.7 acres and 83 lots, and Presidential Meadows Section 4 developed as 37.3 acres and 108 lots. As of May 24, 2018, Presidential Meadows Sections 1, 2, 3, and 4 are completely built out and contain 391 completed single-family homes.

Beginning in September 2013, SVWW and Presidential have continued sell platted single-family acreage to KB Home, with KB Home developing the utility facilities to serve such acreage but with SVWW and Presidential retaining reimbursement rights to relevant bond proceeds. As of May 24, 2018, KB Home has completed construction of the utility facilities to serve Presidential Meadows, Section 1 (32.50 acres; platted as 93 single-family lots); Presidential Meadows, Section 2 (21.60 acres; platted as 107 single-family lots); Presidential Meadows, Section 3 (13.70 acres; platted as 83 single-family lots); Presidential Meadows, Section 4 (37.30 acres; platted as 108 single-family lots); Presidential Meadows, Section 5 (17.60 acres; platted as 95 single-family lots); Presidential Meadows, Section 6 (20.20 acres; platted as 89 single-family lots); Presidential Meadows, Section 7 (2.90 acres; platted as 14 single-family lots); Presidential Meadows, Section 8 (20.70 acres; platted as 102 single-family lots); Presidential Meadows, Section 9 (30.70 acres; platted as 129 single-family lots); Presidential Meadows, Section 10 (19.10 acres; platted as 102 single-family lots); and Presidential Meadows, Section 13 (21.80 acres; platted as 121 single-family lots). Additionally, Cottonwood Creek contains approximately 2.50 acres of developed commercial acreage. See "PARTICIPANTS IN CURRENT SERVICE AREA – Service Area – Status of Development."

Currently, SVWW and Presidential own approximately zero (0) and 86.11 developable acres, respectively, within Cottonwood Creek.

Development Financing

On November 16, 2015, SG Land Holdings obtained a \$6,100,000 development loan from First Continental Investment Company (the "Development Loan") to develop ShadowGlen Sections 14B1, 14B2 and 19A. The Development Loan was subsequently refinanced into a \$9,200,000 loan. Payments on the Development Loan are due quarterly, and the Development Loan matures in September 2018, with two six-month options. Additionally, SG Land Holdings has an outstanding development loan with ColFin Shadow Funding, LLC, an entity affiliated with ColFin Shadow Investor LLC, which was subordinated to the Development Loan (the "Subordinated Loan"). The principal amount currently outstanding on the Subordinated Loan, which matures in May 2018, is approximately \$34,660,000. SG Land Holdings has stated that it is in compliance with the terms of the Development Loan and the Subordinated Loan.

Homebuilders

According to the Developers, there are currently four homebuilders constructing homes in the Service Area: Gray Point Homes, Meritage Homes, Buffington Homes, and Perry Homes are constructing homes in Travis MUD No. 2 and Wilbarger No. 1; and KB Home is constructing homes in Cottonwood Creek.

According to SG Land Holdings, Gray Point Homes' homes range in price from approximately \$215,000 to \$260,000, with square footage ranging from approximately 1,550 to 2,700. Meritage Homes' homes range in price from approximately \$198,000 to \$250,000, with square

footage ranging from approximately 1,249 to 2,450. Buffington Homes' homes range in price from approximately \$299,000 to \$410,000, with square footage ranging from approximately 2,460 to 3,609. Perry Homes' homes range in price from approximately \$280,000 to \$370,000, with square footage ranging from approximately 1,950 to 2,782. According to KB Home, homes being constructed in Cottonwood Creek range in sales price from approximately \$175,995 to \$234,995, with square footage ranging from approximately 1,234 to 2,881.

Commercial Development

The Service Area contains approximately 58.4 acres of commercial reserves. In 2005, approximately 2.3 acres were sold to Spasco, Ltd. ("Spasco"), a Texas limited partnership, which constructed a 15,000 square foot mixed use commercial retail strip center called The Shops at ShadowGlen on this acreage within Travis MUD No. 2. In September 2014, Spasco sold the strip center to HFS Brothers Investments LLC, a Texas limited liability company. In 2013, approximately 4.3 acres were sold to Shadowglen MOB Partners LLC, a Texas limited liability company, which constructed a 36,000 square foot medical center on this acreage within Travis MUD No. 2 that opened in the spring of 2014. CHL currently owns the remaining 5.1 acres of commercial acreage within Travis MUD No. 2. Within Cottonwood Creek, CHL owns approximately 5.1 acres which is expected to be developed for commercial/retail purposes, and IBC owns approximately 45 acres of commercial frontage along US 290. Presidential Meadows L.P. owns approximately 1.78 acres of commercial frontage along US 290. Additionally, Wilbarger Creek MUD No. 1 contains approximately 4 acres of developed commercial property.

Utility Development Agreements

The Master District is a party to three separate utility development and purchase agreements with developers within the Service Area including, SG Land Holdings, CHL and SVWW. The utility development and purchase agreements govern the design and construction of the Master District Facilities as well as the issuance of bonds to reimburse the Developers for the construction of such facilities. All Master District Facilities must be designed by the Developer's engineers and the plans and specifications must be approved by the Master District and all other governmental agencies with jurisdiction including the TCEQ and the City of Manor, Texas. Additionally, the Developers are responsible for paying all the costs of the Master District Facilities subject to reimbursement from the issuance of bonds in accordance with the utility development and purchase agreements. When requested by the Developers, the Master District must diligently pursue the issuance of bonds to reimburse the Developers assuming satisfaction of certain conditions including: (i) the debt service requirements for all outstanding and proposed Master District contract tax bonds can be paid with a projected debt service component of the contract tax not exceeding \$0.25 per \$100 of certified appraised value, (ii) the Developer seeking reimbursement has executed an agricultural waiver, (iii) the TCEQ has approved the facilities to be purchased, (iv) the TCEQ has approved the issuance of the bonds, (v) receipt of a bona fide bid for the bonds and (vi) the Attorney General has approved issuance of the bonds. If the Master District is unable to purchase a facility at the time it is completed and accepted by the Master District, the Developer has agreed to lease the facility to the Master District until the Master District purchases the facility or two years from the date of completion and acceptance whichever is earlier. In the event the Master District is unable to sell bonds to purchase the facility within such two year period, the lease continues on a year-to-year basis until bonds are sold to purchase the facility.

An amendment to the utility development and purchase agreements was approved by the affected parties to further clarify certain matters relating to the construction and reimbursement for Master District facilities as a result of multiple Developers developing property within the Service Area. In particular the amendment provides that in the event that more than one Developer desires to initiate the construction, extension or expansion of the same facility, the Master District may determine which Developer will design and construct the facility. Additionally, the amendment provides: (i) Master District contract tax bonds will, to the extent permitted by applicable law and regulations, be used first to finance the cost of any expansions of the Master District's water facilities required within the next three years prior to any reimbursement made for facilities previously constructed, and (ii) each of the Developers will be entitled to receive reimbursement for costs of the Master District facilities incurred by it based on the ratio of the certified appraised value of the property of that Developer located within the Service Area to the certified appraised value of all of the property located within the Service Area. According to Jones & Carter, based on the Developer's current development projections, the proposed elevated storage tank would need to be operational by 2021. This date is subject to change depending on the actual build out.

Agricultural Waivers

SRCL, CHL, SVWW, Presidential, and IBC previously executed agreements, which are recorded in the real property records of Travis County and are covenants running with the land, waiving the right to have their respective land located within the Service Area classified as agricultural, open-space or timberland. In addition, SRCL, CHL and SVWW (and their successors) have waived the right to have their lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on purchasers of such land from each Developer. See "TAXING PROCEDURES - Property Subject to Taxation." SG Land Holdings, as a successor in interest to SRCL and CHL, is subject to such agreements.

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MASTER DISTRICT FACILITIES

Regulation

Construction and operation of the Master District Facilities as they now exist or as it may be expanded in the future is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the Master District, in its capacity as the Master District and in its capacity as a provider of internal utility services. Disposal of treated wastewater effluent into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency.

The Master District Facilities, the purchase, acquisition and construction of which have been or will be permanently financed by the Master District with the proceeds of contract tax bonds, and/or any additional contract tax bonds, have been or will be designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among other, the TCEQ and the City of Manor. According to Schroeder Engineering Company (the "Master District's Engineer"), the design of all of the existing Master District Facilities has been approved by all governmental agencies which have authority over the Master District.

Water Supply and Distribution

General

Metro has entered into the Water Supply Contract with the four Participants to provide up to 6,010 LUEs of potable water supply capacity to the Participants. Cottonwood Creek WCID No. 3 is also a party to the Water Supply Contract, but has not been allocated any capacity. See "THE MASTER DISTRICT- Service Area." Pursuant to an "Amended and Restated Assignment and Assumption of Capacity Rights and Obligations under Regional Water and Sewer Contracts; and Capacity Reservation Agreement" dated effective October 1, 2005 (the "Capacity Assignment"), the Participants assigned all of their rights and obligations with respect to water supply capacity under the Water Supply Contract to the Master District, which, in turn, reserved water supply capacity in favor of the Participants at full build out in the amounts set forth in the Water Supply Contract and will allocate water capacity on an interim basis fairly and equitably among the Participants. The Participants have also executed the Master District Contract (see "THE MASTER DISTRICT"), pursuant to which, the Master District is charged with the responsibility of constructing, financing or acquiring facilities sufficient to distribute, rechlorinate and store the potable water delivered by Metro to the Participants.

Under the Water Supply Contract, as affected by the Capacity Assignment, the Master District was originally contractually obligated to purchase water capacity from Metro at the time of each connection and on a quarterly basis through the payment of water LUE fees. However, pursuant to a "First Amendment to Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" dated August 9, 2011 (the "Water Supply Contract Amendment"), in consideration of the payment of \$250,000 to Metro, the obligation to make water LUE fee payments to Metro was terminated until the number of LUEs actually connected to the water system serving the Service Area exceeds 2,610, at which time water LUE fees will be required to be paid on a connection-by-connection basis.

The Water Supply Contract, as amended, also obligates the Participants to pay Metro a volumetric wholesale water rate for the water used by the Participants (the "Wholesale Water Rate") as well as an annual rate payment (the "Annual Water Rate Payment") by July 5th of each year. A portion of the Wholesale Water Rate and the Annual Water Rate Payment increase by three percent (3%) per year. The current Wholesale Water Rate is \$5.96 per 1,000 gallons of water delivered. The Annual Water Rate Payment for 2018 was \$159,883.59. Under the Water Supply Contract Amendment, Metro also has the authority to impose a surcharge based on actual increases in the volumetric rate charged to Metro by its supplier as well as a surcharge to recover the cost of new capital assets necessary to serve the Participants.

Pursuant to the Water Supply Contract Amendment, Metro invoices the Master District for wholesale water service provided to the Participants using a take-or-pay minimum base quantity formula. Under this structure, the minimum base quantity of water for which the Participants will be charged for the year commencing March 1, 2018 is 162,990,350 gallons of water. The minimum base quantity for each year thereafter (March through February) will be the prior year's minimum base quantity plus 90% of the amount of water used by the Participants during the prior year in excess of the minimum base quantity for that year.

Metro Water Supply and Transmission Facilities

The water supplied to the Participants by Metro H2O is obtained by Metro H2O from Blue Water 130 Project, LP, a Texas limited partnership, under an "Amended and Restated Wholesale Potable Water Supply Agreement" dated April 11, 2011 (the "Blue Water Contract"). The District has been advised that Blue Water 130 Project, LP's assets have since been acquired by EPCOR 130 Project, Inc., a wholly-owned subsidiary of EPCOR Utilities, Inc. It is the District's understanding that Metro H2O has sufficient water capacity available under the Blue Water Contract to serve 6,010 connections within the Participants. The point of delivery for water delivered to Metro H2O under the Blue Water Contract is the 500,000-gallon elevated storage tank owned by Metro H2O adjacent to the Master District's service area. The facilities necessary to deliver water under the Blue Water Contract have been constructed, and such water became available to Metro H2O (and the Participants through Metro H2O) on July 5, 2011. Under the terms of the Water Supply Contract Amendment, Metro H2O is required to reserve capacity to and for the benefit of the Participants in the water supply available to Metro H2O under the Blue Water Contract equal to the number of LUEs paid for by or on behalf of the Participants up to 6,010 LUEs. To date, 2,610 LUEs have been paid for by or on behalf of the Participants to Metro H2O. According to the Master District's operator, as of March 31, 2018, there were 1,846 active connections within the Master District's service area.

In addition, SWWC Services, Inc., the Master District's prior operator and an affiliate of Metro H2O, previously advised the Master District that there is a physical water interconnect located between the Metro H2O facilities and the City of Manor. In the past, Manor and Metro H2O have utilized the interconnect; however, the Master District has been advised that the agreement providing for the interconnect has expired, and the District makes no representation that such agreement will be reinstated.

City of Manor Emergency Water Interconnect

The Master District and the City of Manor have entered into an "Interlocal Agreement Concerning Emergency Water Interconnect" dated effective June 6, 2014, which can provide a short-term water supply to customers within the Participants in emergency situations.

Master District Distribution, Rechlorination and Storage Facilities

The Master District has constructed a 24-inch water transmission main which distributes the water delivered by Metro approximately 3.3 miles from the Metro elevated storage tank, through the Master District and to a terminus within Cottonwood Creek. Additionally, the Master District has constructed one chlorination facility outside the boundaries of the Master District at the beginning of the Master District's 24-inch water transmission main near the 500,000 gallon elevated storage tank owned by Metro. To date, the chlorination facility has not been needed for the water supply received pursuant to the Blue Water Contract.

It is anticipated that the Master District will be required to construct one or more water storage facilities as development increases demand for water supply within the Service Area.

Wastewater Collection and Treatment

The Participants and Metro originally entered into the Wastewater Treatment Contract pursuant to which Metro agreed to construct certain wastewater treatment facilities sufficient to serve up to 6,010 LUEs of wastewater from the Participants. Cottonwood Creek WCID No. 3 is also a party to the Wastewater Treatment Contract, but has not been allocated any capacity. Under the Wastewater Treatment Contract, Metro completed construction of a 500,000 gallons per day ("gpd") wastewater treatment plant and lift station (the "Wastewater Treatment Plant"). Based upon an average daily flow of 300 gpd per LUE, the 500,000 gpd Wastewater Treatment Plant is sufficient to serve 1,667 LUEs, according to the Master District's Engineer. Pursuant to the Capacity Assignment, the Participants assigned all of their rights and obligations with respect to wastewater treatment capacity under the Wastewater Treatment Contract to the Master District, which, in turn, reserved wastewater treatment capacity in favor of the Participants at full buildout in the amounts set forth in the Wastewater Treatment Contract and will allocate wastewater treatment capacity on an interim basis fairly and equitably among the Participants.

When Southwest Water Company, the parent of Metro, announced its intention to sell its wholesale operations in Texas, the Master District negotiated to purchase the Wastewater Treatment Plant from Metro pursuant to an Asset Purchase Agreement dated November 20, 2008. The closing of such transaction occurred on December 31, 2008, at which time Metro transferred ownership of the Wastewater Treatment Plant and its interest in the Wastewater Treatment Contract to the Master District. The Master District will operate and maintain the Wastewater Treatment Plant as a Master District Facility and has included the costs of the operations in its budget for the fiscal year ending September 30, 2018. The cost of operation and maintenance of the Wastewater Treatment Plant will be invoiced to each of the Participants on a monthly basis, in accordance with the Master District Contract.

Shortly after the purchase of the Wastewater Treatment Plant, the Master District experienced increased maintenance and operation costs for the Wastewater Treatment Plant. In an effort to reduce these costs, the Master District engaged Jones & Carter, Inc. to assess the Wastewater Treatment Plant and its operation and maintenance procedures and to recommend appropriate changes, repairs and upgrades. The Master District has also entered into agreements with Ovivo USA, LLC, the manufacturer of the wastewater treatment technology at the Wastewater Treatment Plant, to service and replace the plant's membrane equipment and make certain upgrades to improve the performance and energy efficiency of the Wastewater Treatment Plant. After the implementation of certain recommended improvements, Jones & Carter, Inc. and Crossroads Utility Services LLC, the Master District's operator, have represented that operation and the efficiency of the Wastewater Treatment Plant has improved significantly.

Storm Drainage

The storm drainage system that serves the existing development in the Service Area consists of curb and guttered streets and storm sewers that collect storm water runoff for outfall to four detention ponds which flow into Wilbarger Creek, which, in turn, flows into the Colorado River. The facilities are designed in accordance with Travis County and Manor criteria.

100-Year Flood Plain

According to the Master District's Engineer, the flood hazard boundary map currently in effect, published by the Federal Flood Insurance Administration Rate Map No. 48453C0485H for Travis County, Texas dated September 26, 2008 and a Letter of Map Revision approved January 11, 2017, which covers the land located within the Service Area, indicates that approximately 31 acres of land located in the Service Area are located within the 100-year flood plain. According to the Master District's Engineer, the 31 acres is located within Wilbarger MUD No. 2, which currently has no development activity.

Allocated Capacity –Table 1

Each Participant has reserved capacity in the Master District Facilities. The water supply and wastewater treatment capacity reserved to each Participant, expressed in equivalent single-family connections as of May 24, 2018 is shown on the following chart:

| Participant | Gross Acreage^(a) | Existing LUEs^(b) | Projected Ultimate LUEs^(c) |
|----------------------------|--|--|--|
| Cottonwood Creek MUD No. 1 | 417.675 | 677.00 | 2,216 |
| Travis Co. MUD No. 2 | 404.081 | 809.00 | 1,247 |
| Wilbarger Creek MUD No. 1 | 300.416 | 212.00 | 1,555 |
| Wilbarger Creek MUD No. 2 | <u>392.080</u> | <u>-</u> | <u>1,449</u> |
| Subtotal | 1,514.252 | 1,698.00 | 6,467.00 |
| Park & Irrigation | <u>-</u> | <u>-</u> | <u>100.00</u> |
| Total | 1,514.252 | 1,698.00 | 6,567.00 |

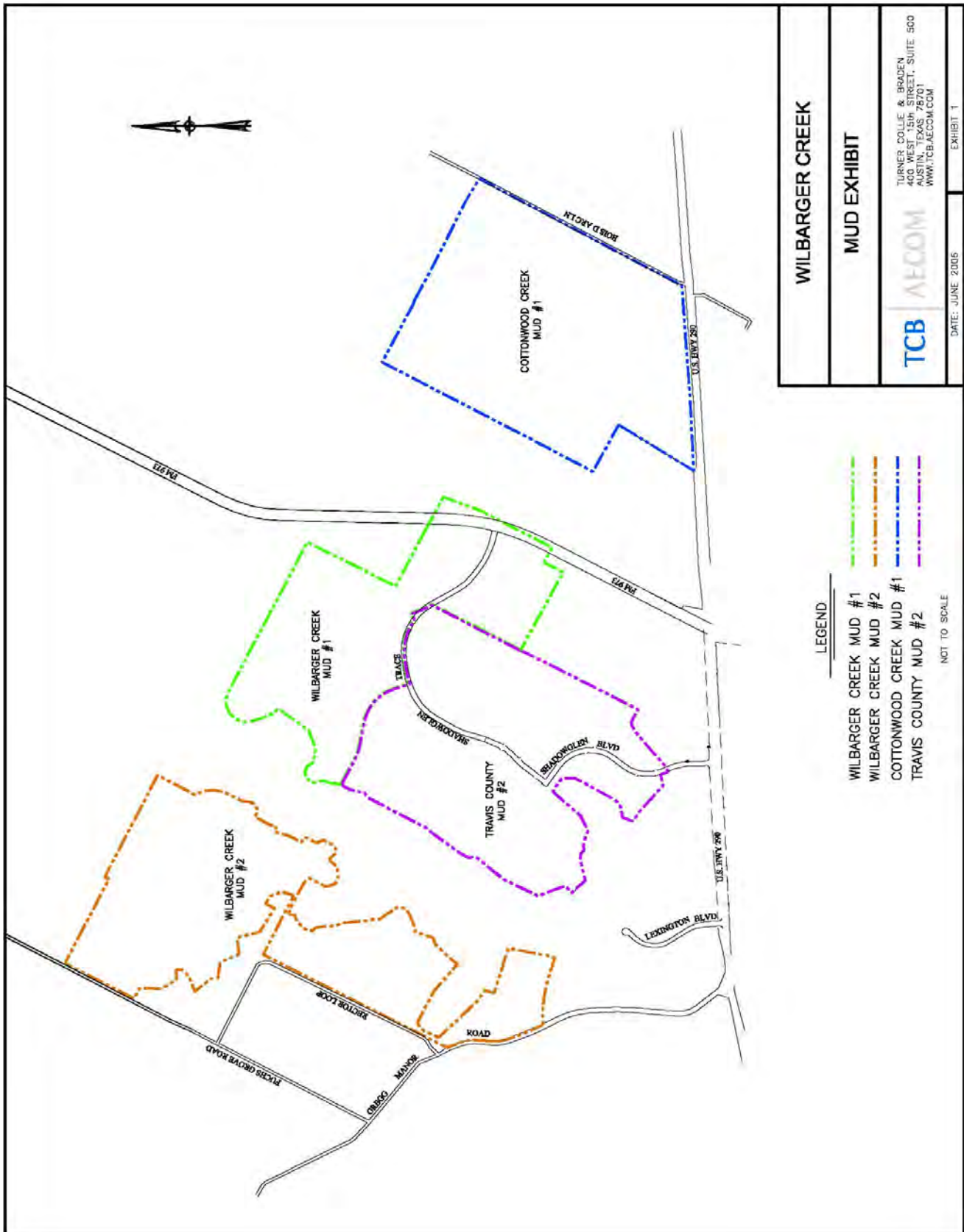
(a) Gross acreage includes all easements, rights-of-way and any other undevelopable acreage.

(b) As of May 24, 2018.

(c) Provided by the Developers and represents the existing land use plan. The Master District makes no representation that property within the Master District or within the Participants will develop as shown above.

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MASTER DISTRICT MAP



Water and Wastewater Operations – Table 2

The following statement sets forth in condensed form the historical results of operation of the water and wastewater facilities which constitute a part of the Master District Facilities. Operation and maintenance of the Master District Facilities is the responsibility of the Master District pursuant to the Master District Contract. The summary of operations has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the audited financial statements of the Master District. Reference is made to such statements for further and complete information.

| | Fiscal Year Ended | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 9/30/2017 ^(a) | 9/30/2016 ^(a) | 9/30/2015 ^(a) | 9/30/2014 ^(a) | 9/30/2013 ^(a) | 9/30/2012 ^(a) | 9/30/2011 ^(a) |
| Revenues | | | | | | | |
| Contracted Master District Services | \$ 1,349,509 | \$ 1,408,583 | \$ 1,416,765 | \$ 1,488,780 | \$ 1,440,751 | \$ 1,301,347 | \$ 1,418,563 |
| Property Tax Revenue, including penalties | 26,323 | 22,350 | 14,015 | 13,604 | 12,602 | 13,325 | 10,900 |
| Capacity Charge | 399,000 | 362,900 | 144,400 | 142,500 | 17,100 | 100,700 | 5,700 |
| Interest | 4,250 | 1,420 | 225 | 145 | 310 | 179 | 3,430 |
| Miscellaneous | - | - | - | - | - | 1,452 | 7,720 |
| Total Operating Revenues | \$ 1,779,082 | \$ 1,795,253 | \$ 1,575,405 | \$ 1,645,029 | \$ 1,470,763 | \$ 1,417,003 | \$ 1,446,313 |
| Expenditures | | | | | | | |
| Water Purchases | \$ 1,010,337 | \$ 979,860 | \$ 951,909 | \$ 925,070 | \$ 897,125 | \$ 927,863 | \$ 621,677 |
| Repairs and Maintenance | 135,605 | 135,109 | 124,211 | 120,076 | 129,917 | 47,159 | 279,873 |
| Operations/Management | 106,161 | 106,161 | 105,811 | 103,171 | 95,673 | 92,285 | 87,259 |
| Utilities and Telephone | 56,100 | 58,403 | 64,076 | 73,164 | 68,575 | 68,608 | 72,950 |
| Sludge Hauling | 49,531 | 46,333 | 40,265 | 38,293 | 61,959 | 26,541 | 26,296 |
| Chemical and Lab Fees | 57,960 | 52,259 | 52,055 | 48,528 | 48,463 | 47,825 | 48,738 |
| Permit Fees | 4,792 | 4,563 | 4,341 | 6,321 | 3,798 | 6,538 | 4,097 |
| Easement and Landscape Maintenance | 8,700 | 4,300 | 2,400 | 2,000 | 1,000 | 1,000 | 9,146 |
| Director Fees | 7,912 | 8,881 | 8,074 | 8,881 | 8,881 | 10,657 | 18,408 |
| Legal Fees | 65,535 | 52,961 | 44,271 | 46,447 | 47,518 | 68,471 | 230,334 |
| Engineering Fees | 62,918 | 60,295 | 30,498 | 56,353 | 32,372 | 56,996 | 133,301 |
| Accounting Fees | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 | 36,750 | 36,750 |
| Audit Fees | 5,250 | 5,100 | 4,800 | 4,600 | 4,500 | 4,500 | 4,500 |
| Tax Appraisal/Collection Fees | - | 121 | 84 | 73 | 68 | 69 | 72 |
| Other Consulting Fees | - | 667 | 1,649 | 1,384 | 1,471 | 2,589 | 91,344 |
| Insurance | 8,025 | 7,675 | 7,269 | 7,252 | 7,060 | 7,044 | 7,053 |
| Miscellaneous | 2,944 | 3,139 | 2,830 | 2,528 | 2,903 | 5,415 | 5,103 |
| Capital Outlay | 14,531 | 65,115 | 81,457 | 107,066 | 53,860 | - | 273,433 |
| Total Operating Expenditures | \$ 1,632,301 | \$ 1,626,943 | \$ 1,562,000 | \$ 1,587,207 | \$ 1,501,143 | \$ 1,410,310 | \$ 1,950,334 |
| NET REVENUES / (DEFICIT) | \$ 146,781 | \$ 168,310 | \$ 13,405 | \$ 57,822 | \$ (30,380) | \$ 6,693 | \$ (504,021) |
| Plus / (Less) Fund Transfers | (11,277) | (31,059) | (15,264) | 46,288 | 44,705 | 43,708 | (51,503) |
| Beginning Fund Balance | \$ 902,768 | \$ 765,517 | \$ 767,376 | \$ 663,266 | \$ 648,941 | \$ 598,540 | \$ 1,154,064 |
| Adjustments | - | - | - | - | - | - | - |
| Ending Fund Balance | \$ 1,038,272 | \$ 902,768 | \$ 765,517 | \$ 767,376 | \$ 663,266 | \$ 648,941 | \$ 598,540 |

(b) Audited.

DEBT SERVICE REQUIREMENTS – TABLE 3

Wilbarger Creek Municipal Utility District No. 2

\$4,460,000

Unlimited Contract Tax Bonds, Series 2018

Dated Date: September 4, 2018

First Interest Payment Due: March 1, 2019

| Year Ending 31-Dec | Outstanding Bonds | | | | The Bonds | | | | Total | |
|--------------------------|----------------------|---------------------|---------------------|----------------------|--------------------|-------------------|-------------------|---------------------------|------------------------------|----------------------|
| | Principal | Interest | | Total | Principal | Interest | | Principal and Interest | Debt Service Requirements | |
| | Due (09/01) | Due (03/01) | Due (09/01) | | (Due 9/01) | (Due 3/01) | (Due 9/01) | | | Total |
| 2018 | \$ 520,000 | \$ 198,943 | \$ 198,943 | \$ 917,886 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 917,886 |
| 2019 | 510,000 | 192,024 | 192,024 | 894,049 | 200,000 | 68,977 | 68,977 | 137,953 | 337,953 | 1,232,002 |
| 2020 | 555,000 | 184,743 | 184,743 | 924,486 | 200,000 | 65,806 | 65,806 | 131,613 | 331,613 | 1,256,099 |
| 2021 | 550,000 | 176,366 | 176,366 | 902,731 | 215,000 | 61,806 | 61,806 | 123,613 | 338,613 | 1,241,344 |
| 2022 | 585,000 | 168,956 | 168,956 | 922,911 | 215,000 | 58,313 | 58,313 | 116,625 | 331,625 | 1,254,536 |
| 2023 | 595,000 | 160,981 | 160,981 | 916,961 | 220,000 | 55,088 | 55,088 | 110,175 | 330,175 | 1,247,136 |
| 2024 | 610,000 | 152,156 | 152,156 | 914,311 | 240,000 | 51,788 | 51,788 | 103,575 | 343,575 | 1,257,886 |
| 2025 | 635,000 | 143,199 | 143,199 | 921,399 | 240,000 | 49,388 | 49,388 | 98,775 | 338,775 | 1,260,174 |
| 2026 | 625,000 | 133,509 | 133,509 | 892,019 | 280,000 | 46,688 | 46,688 | 93,375 | 373,375 | 1,265,394 |
| 2027 | 675,000 | 122,884 | 122,884 | 920,769 | 260,000 | 42,488 | 42,488 | 84,975 | 344,975 | 1,265,744 |
| 2028 | 680,000 | 111,384 | 111,384 | 902,769 | 290,000 | 38,588 | 38,588 | 77,175 | 367,175 | 1,269,944 |
| 2029 | 710,000 | 99,672 | 99,672 | 909,344 | 290,000 | 34,238 | 34,238 | 68,475 | 358,475 | 1,267,819 |
| 2030 | 760,000 | 87,369 | 87,369 | 934,738 | 275,000 | 29,888 | 29,888 | 59,775 | 334,775 | 1,269,513 |
| 2031 | 790,000 | 72,819 | 72,819 | 935,638 | 285,000 | 25,763 | 25,763 | 51,525 | 336,525 | 1,272,163 |
| 2032 | 815,000 | 59,269 | 59,269 | 933,538 | 300,000 | 21,309 | 21,309 | 42,619 | 342,619 | 1,276,156 |
| 2033 | 845,000 | 46,025 | 46,025 | 937,050 | 305,000 | 16,434 | 16,434 | 32,869 | 337,869 | 1,274,919 |
| 2034 | 875,000 | 31,238 | 31,238 | 937,475 | 320,000 | 11,288 | 11,288 | 22,575 | 342,575 | 1,280,050 |
| 2035 | 910,000 | 15,925 | 15,925 | 941,850 | 325,000 | 5,688 | 5,688 | 11,375 | 336,375 | 1,278,225 |
| | <u>\$ 12,245,000</u> | <u>\$ 2,157,461</u> | <u>\$ 2,157,461</u> | <u>\$ 16,559,923</u> | <u>\$4,460,000</u> | <u>\$ 683,533</u> | <u>\$ 683,533</u> | <u>\$1,367,066</u> | <u>\$ 5,827,066</u> | <u>\$ 22,386,988</u> |

COMPOSITE FINANCIAL STATEMENT – TABLE 4

Assessed Valuations of the Participants:

| Participant Name | 2018 Certified Assessed Valuation ^(a) | % of Total | 2017 Certified Assessed Valuation ^(a) | % of Total | 2016 Certified Assessed Valuation ^(a) | % of Total |
|------------------|---|-----------------------|---|-----------------------|---|-----------------------|
| Cottonwood Creek | \$ 167,143,226 | 39.84% | \$ 118,034,416 | 34.22% | \$ 84,564,365 | 29.32% |
| Travis MUD No. 2 | 206,826,786 | 49.30% | 185,824,883 | 53.88% | 165,792,589 | 57.49% |
| Wilbarger No. 1 | 37,962,619 | 9.05% | 33,511,681 | 9.72% | 30,507,934 | 10.58% |
| Wilbarger No. 2 | 7,571,916 | 1.80% | 7,520,916 | 2.18% | 7,520,916 | 2.61% |
| | <u>\$ 419,504,547</u> | <u>100.00%</u> | <u>\$ 344,891,896</u> | <u>100.00%</u> | <u>\$ 288,385,804</u> | <u>100.00%</u> |

(a) Certified Assessed Valuation as of January 1, 2018 as provided by TCAD.

| <u>Contract Tax Bonds</u> | <u>Outstanding</u> |
|---|------------------------------------|
| Unlimited Contract Tax Bonds (after issuance of the Bonds) | \$16,705,000 ^(a) |
| GROSS CONTRACT DEBT..... | <u>\$16,705,000</u> ^(a) |
| Ratio of Gross Contract Debt to 2017 Certified Assessed Valuation | 4.84% |
| Ratio of Gross Contract Debt to 2018 Certified Assessed Valuation | 3.98% |

Master District Funds Available as of July 2, 2018:

| | |
|---------------------------------|-----------------------------|
| Debt Service Fund..... | \$ 1,244,417 ^(b) |
| Debt Service Reserve Fund | 382,090 ^(c) |
| Special Revenue Fund..... | 1,208,169 |

(a) Includes the Bonds.

(b) Neither the Bond Resolution nor Texas law requires that the Master District maintain any particular sum in the Debt Service Fund; however, pursuant to the Bond Resolution and the Trust Indenture, a Reserve Fund equivalent to six months' debt service requirement on the Bonds and Outstanding Contract Bonds has been established as security for the Bonds and Outstanding Contract Bonds. Pursuant to the Bond Resolution and the Trust Indenture, a determination is made with respect to the amount, if any, of additional deposits to the Reserve Fund upon the issuance of additional contract tax bonds. No assurances can be made that additional monies will be deposited upon the issuance of additional contract tax bonds.

(c) A Reserve Fund equivalent to six months of the average annual debt service requirement on the Bonds and Outstanding Contract Bonds has been established as security for the Bonds and Outstanding Contract Bonds. Pursuant to the Bond Resolution and Trust Indenture, a determination is made with respect to the amount, if any, of additional deposits to the Reserve Fund upon the issuance of additional contract tax bonds. No assurance can be made that additional monies will be deposited upon the issuance of additional contract tax bonds.

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Outstanding Contract Tax Bonds

| Dated Date | Purpose | Original Series | Original Principal Amount | Principal Amount Outstanding |
|---------------------------------|----------------------|--------------------|---------------------------------|------------------------------------|
| A. New Money Bonds | | | | |
| 7/1/2006 | Water and Wastewater | 2006 | \$ 4,250,000 | \$ - |
| 12/1/2008 | Water and Wastewater | 2008 | 5,660,000 | - |
| 5/2/2017 | Water and Wastewater | 2017 | 4,160,000 | 4,160,000 |
| 9/4/2018 | Water and Wastewater | 2018 | 4,460,000 | 4,460,000 (a) |
| Subtotal New Money Bonds | | | \$ 18,530,000 | \$ 8,620,000 |
| B. Refunding Bonds | | | | |
| 7/1/2010 | Refunding | 2010 | \$ 5,100,000 | \$ - |
| 3/1/2012 | Refunding | 2012 | 4,910,000 | 3,405,000 |
| 6/14/2016 | Refunding | 2016 | 4,835,000 | 4,680,000 |
| Subtotal Refunding Bonds | | | \$ 14,845,000 | \$ 8,085,000 |
| Total | | | \$ 33,375,000 | \$ 16,705,000 |

(a) The Bonds.

Investment Authority and Investment Practices of the Master District

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

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

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

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

Under Texas law, the Master District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Master District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Master District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Master District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the Master District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the Master District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period, (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 Master District funds without express written authority from the Board of Directors.

Under Texas law, the Master District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the Master District to disclose the relationship and file a statement with the Texas Ethics Commission and the Master District, (3) require the registered principal of firms seeking to sell securities to the Master District to: (a) receive and review the Master District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the Master District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Master District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 5

The Master District, as of July 2, 2018, is invested in TexPool, money markets, and certificates of deposit. This investment portfolio is generally representative of the Master District's investment practices. GASB Statement No. 3 requires the Master District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the Master District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the Master District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the Master District's audited financial statements.

| Investment Value as of July 2, 2018 | |
|---|---------------------|
| Cash | \$ 175,414 |
| Money Market | 541,643 |
| Texpool | 2,205,301 |
| Certificates of Deposit | - |
| Total Investments | \$ 2,922,358 |

TAX DATA

Classification of Assessed Valuation within the Service Area^(a) – Table 6

| Type Property | 2018 | | 2017 | | 2016 | |
|--|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | Amount | % | Amount | % | Amount | % |
| Single-Family Residence | \$ 379,911,262 | 80.82% | \$ 310,042,202 | 89.83% | \$ 258,419,876 | 89.63% |
| Vacant Lot | 7,848,159 | 1.67% | 8,245,077 | 2.39% | 5,724,480 | 1.99% |
| Non-Qualified Land | - | 0.00% | 2,017,403 | 0.58% | 2,098,602 | 0.73% |
| Rural Land, Non-Qualified | 18,501,172 | 3.94% | 12,865,271 | 3.73% | 13,828,731 | 4.80% |
| Improvement on Qualified Land - Open Space | - | 0.00% | 4,904,236 | 1.42% | 5,116,847 | 1.77% |
| Commercial Real Property | 16,857,770 | 3.59% | 14,608,248 | 4.23% | 12,876,921 | 4.47% |
| Intangible Property | - | 0.00% | - | 0.00% | 25,000 | 0.01% |
| Telephone Company | 9,109 | 0.00% | 10,672 | 0.00% | 15,261 | 0.01% |
| Commercial Personal Property | 1,935,338 | 0.41% | 2,159,759 | 0.63% | 2,433,784 | 0.84% |
| Residential Inventory | 12,163,035 | 2.59% | 6,496,111 | 1.88% | 8,038,587 | 2.79% |
| Special Tax Inventory | - | 0.00% | - | 0.00% | 10,280 | 0.00% |
| Totally Exempt Property | 32,850,956 | 6.99% | 31,509,104 | 9.13% | 28,096,460 | 9.75% |
| Less: Adjustments | - | 0.00% | (47,716,623) | -13.83% | (48,380,607) | -16.78% |
| Total Assessed Valuation | \$ 470,076,801 | 100.00% | \$ 345,141,460 | 100.00% | \$ 288,304,222 | 100.00% |

(a) Reflects classification of assessed valuation as obtained from the Master District audits prior to adjustments. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by Travis Central Appraisal District.

2017 Tax Rate Summary

| | Cottonwood Creek | | Travis MUD No. 2 | | Wilbarger No. 1 | | Wilbarger No. 2 | |
|-------------------------|---------------------|---------------|---------------------|---------------|--------------------|---------------|--------------------|---------------|
| Debt Service | \$ | 0.1788 | \$ | 0.4245 | \$ | - | \$ | - |
| Maintenance & Operation | | 0.3212 | | 0.1428 | | 0.5280 | | 0.6000 |
| Contract | | 0.3500 | | 0.3500 | | 0.3500 | | 0.3500 |
| Total | \$ | 0.8500 | \$ | 0.9173 | \$ | 0.8780 | \$ | 0.9500 |

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Tax Collections – Table 7

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the Master District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from Master District audits and records. Reference is made to such audits and records for further and more complete information.

| Service Area | | | | | | | | | |
|--------------|-----------------------------------|-----------|-------------------|---------------------|---------|-------------------|---------|-------------|----------------|
| Tax Year | Assessed Valuation ^(a) | Tax Rate | Contract Tax Levy | Current Collections | | Total Collections | | Year Ending | |
| | | | | Amount | % | Amount | % | | |
| 2003 | \$ 5,711,892 | \$ 0.2500 | \$ 14,280 | \$ 14,280 | 100.00% | \$ 14,280 | 100.00% | 9/30/2004 | ^(b) |
| 2004 | 21,036,192 | 0.2500 | 52,590 | 52,392 | 99.62% | 52,392 | 99.62% | 9/30/2005 | ^(b) |
| 2005 | 51,413,284 | 0.2500 | 128,533 | 127,398 | 99.12% | 127,584 | 99.26% | 9/30/2006 | ^(b) |
| 2006 | 103,778,909 | 0.2500 | 259,447 | 255,412 | 98.44% | 256,371 | 98.81% | 9/30/2007 | ^(b) |
| 2007 | 152,661,446 | 0.2500 | 381,654 | 377,724 | 98.97% | 381,297 | 99.91% | 9/30/2008 | ^(b) |
| 2008 | 201,420,596 | 0.3500 | 675,606 | 670,607 | 99.26% | 672,085 | 99.48% | 9/30/2009 | ^(b) |
| 2009 | 203,184,204 | 0.3500 | 724,078 | 709,587 | 98.00% | 712,987 | 98.47% | 9/30/2010 | ^(b) |
| 2010 | 188,768,038 | 0.3500 | 660,688 | 656,194 | 99.32% | 670,792 | 101.53% | 9/30/2011 | ^(b) |
| 2011 | 178,077,317 | 0.3500 | 623,399 | 620,670 | 99.56% | 624,728 | 100.21% | 9/30/2012 | ^(b) |
| 2012 | 166,741,908 | 0.3500 | 583,698 | 580,056 | 99.38% | 581,791 | 99.67% | 9/30/2013 | ^(b) |
| 2013 | 182,039,771 | 0.3800 | 692,665 | 690,680 | 99.71% | 695,102 | 100.35% | 9/30/2014 | ^(b) |
| 2014 | 198,859,425 | 0.3800 | 755,768 | 751,715 | 99.46% | 752,628 | 99.58% | 9/30/2015 | ^(b) |
| 2015 | 242,629,363 | 0.3500 | 849,203 | 845,438 | 99.56% | 847,175 | 99.76% | 9/30/2016 | ^(b) |
| 2016 | 288,385,804 | 0.3500 | 1,009,350 | 1,003,065 | 99.38% | 1,013,574 | 100.42% | 9/30/2017 | ^(b) |
| 2017 | 344,891,896 | 0.3500 | 1,207,122 | 1,185,077 | 98.17% | 1,187,133 | 98.34% | 9/30/2018 | ^(c) |

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited. As of April 30, 2018. Taxes were due with no late penalty by January 31, 2018.

Contract Tax

The Master District, in its capacity as the Master District, has the statutory authority and the authorization of each Participant's voters to issue unlimited contract tax bonds to purchase, construct, and improve Master District Facilities necessary to provide water, wastewater and drainage facilities, including water quality facilities, to the Participants. Each Participant's pro rata share of the debt service requirements on the Bonds shall be determined by dividing each Participant's certified appraised value by the total certified appraised value within the Service Area. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Bonds from the proceeds of an annual unlimited contract tax. The debt service requirement shall include principal, interest and redemption requirements on the Bonds, paying agent/registrar fees, trustee fees, and all amounts necessary to establish and maintain funds established under a bond resolution or indenture. Pursuant to the Master District Contract each Participant is also authorized to levy a contract tax to pay its pro rata share of the Monthly Charges the extent that other funds are not lawfully available for such purpose. The contract tax levied by each Participant for the 2017 tax year to pay debt service on the Bonds and Outstanding Contract Bonds is \$0.35 per \$100 of total gross assessed valuation. Such contract tax may be increased to the extent necessary to pay a Participant's share of the operation and maintenance expenses of the Master District Facilities. See "INVESTMENT CONSIDERATIONS - Overlapping and Combined Tax Rates" and "APPENDIX A – Certain Financial Information Regarding the Participants."

Debt Service Tax

Each Participant, including the Master District, has the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection and storm drainage facilities to the land within its boundaries. Such bonds, if issued, will be payable from a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the contract tax. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's historical tax data.

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Maintenance Tax

The board of directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment, if such maintenance tax is authorized by a vote of the Participant's electors. Such tax would be in addition to the contract tax and taxes levied for paying principal of and interest on any tax bonds which may be issued in the future by the Participant. At an election held on May 3, 2003, voters within each Participant authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation.

Principal Taxpayers – Table 8

The following list of principal taxpayers and their assessed valuations within the Service Area have been obtained from Master District audits and is based on the 2017, 2016, and 2015 tax rolls of each Participant, which reflect ownership as of January 1 of each year shown. Such values may differ from the original certified assessed valuation and any supplements or adjustments thereto, as supplied by the Travis Central Appraisal District. See "APPENDIX A – Certain Financial Information Regarding the Participants" for a list of principal taxpayers in each Participant.

| Taxpayer | Type Property | 2018^(a) | 2017 | 2016 |
|------------------------------------|--------------------------------|---------------------------|----------------------|----------------------|
| SG Land Holdings LLC | Land & Vacant Lots | \$ 16,324,839 | \$ 17,191,659 | \$ 17,060,894 |
| ASC Medical 8 Holdings LLC | Medical Center | 10,000,000 | (b) | (b) |
| Shadowglen MOB Partners LLC | Medical Center | (b) | 8,874,800 | 8,441,614 |
| KB Home Lone Star LP | Land & Improvements | 7,654,734 | 3,974,637 | 6,451,019 |
| Presidential Meadows LP | Land & Improvements | 2,708,509 | 4,800,722 | 4,151,557 |
| Individual Homeowners | Land & Improvements | 2,785,524 | 2,795,795 | 4,124,876 |
| IBC Partners Ltd. | Land & Improvements | 3,418,010 | 3,429,286 | 3,448,010 |
| HFS Brothers Investments LLC | Commercial/Retail Strip Center | 3,200,000 | 3,700,000 | 3,183,027 |
| Meritage Homes of Texas LLC | Land & Improvements | 1,425,000 | (b) | (b) |
| Grads LLC | Land & Improvements | 1,431,895 | (b) | (b) |
| CalAtlantic Homes of Texas | Land & Improvements | (b) | 629,366 | 1,823,069 |
| Cottonwood Holdings Ltd. | Acreage | 1,160,935 | 1,292,865 | 1,292,865 |
| Lion Capital LLC | Land & Improvements | 1,251,339 | (b) | (b) |
| GFAA Partners | Land & Improvements | 779,359 | (b) | (b) |
| Scott Felder Homes LLC | Land & Improvements | 620,747 | (b) | (b) |
| Perry Homes LLC | Land & Improvements | 556,783 | (b) | (b) |
| Buffington Texas Classic Homes LLC | Land & Improvements | 505,551 | (b) | (b) |
| Gehan Homes Ltd | Land & Improvements | 474,000 | (b) | (b) |
| Arise Healthcare System LLC | Land & Improvements | 460,651 | 579,690 | 785,549 |
| AMH 2014-2 Borrower LLC | Land & Improvements | 448,327 | (b) | (b) |
| | | \$ 55,206,203 | \$ 47,268,820 | \$ 50,762,480 |

(a) Unaudited.

(b) Not a principal taxpayer in respective year.

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Overlapping Taxes for 2017

| Overlapping Entity | Cottonwood Creek | Travis MUD No. 2 | Wilbarger No. 1 | Wilbarger No. 2 |
|-----------------------------------|---------------------|---------------------|--------------------|--------------------|
| Travis County | \$ 0.369000 | \$ 0.369000 | \$ 0.369000 | \$ 0.369000 |
| Manor Independent School District | 1.515000 | 1.515000 | 1.515000 | 1.515000 |
| Travis County Healthcare District | 0.107385 | 0.107385 | 0.107385 | 0.107385 |
| Austin Community College District | 0.100800 | 0.100800 | 0.100800 | 0.100800 |
| Travis County ESD No. 12 | 0.100000 | 0.100000 | 0.100000 | 0.100000 |
| District Tax Rate | 0.850000 | 0.917300 | 0.878000 | 0.950000 |
| Total Tax Rate | \$ 3.042185 | \$ 3.109485 | \$ 3.070185 | \$ 3.142185 |

Average 2017 Tax Bill for Districts with Single-Family Development

| | Cottonwood Creek | Travis MUD No. 2 | Wilbarger No. 1 | Wilbarger No. 2 |
|-----------------------------------|---------------------|---------------------|--------------------|--------------------|
| Average Single-Family Home Value | \$ 164,968 | \$ 249,790 | \$ 200,292 | \$ - |
| Travis County | \$ 609 | \$ 922 | \$ 739 | \$ - |
| Manor Independent School District | 2,499 | 3,784 | 3,034 | - |
| Travis County Healthcare District | 177 | 268 | 215 | - |
| Austin Community College District | 166 | 252 | 202 | - |
| Travis County ESD No. 12 | 165 | 250 | 200 | - |
| District Tax Bill | 1,402 | 2,291 | 1,759 | - |
| | \$ 5,019 | \$ 7,767 | \$ 6,149 | \$ - |

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in aggregate assessed valuation from the Certified 2018 Assessed Valuation of the Participants and utilizes tax rates adequate to service the Master District's total debt service requirements, on its contract tax bonds, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on Contract Tax Rates."

| | |
|---|-------------|
| Average Annual Debt Service Requirement on the Outstanding Contract Bonds and the Bonds (2019 through 2035) | \$1,262,888 |
| \$0.32 Tax Rate on the aggregate 2018 Certified Assessed Valuation of \$419,504,547 @ 95% collections produces | \$1,275,294 |
| Maximum Annual Debt Service Requirement on the Outstanding Contract Bonds and the Bonds (2034) | \$1,280,050 |
| \$0.33 Tax Rate on the aggregate 2018 Certified Assessed Valuation of \$419,504,547 @ 95% collections produces | \$1,315,147 |

TAXING PROCEDURES

Authority to Levy Taxes

The board of directors of each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries in an amount sufficient to pay the principal of and interest on the Bonds and Outstanding Contract Bonds, its pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the Master District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. Each Participant agrees in the Master District Contract to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the board of directors of each Participant is also authorized to levy and collect an ad valorem tax for the operation and maintenance of its district and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Contract Tax."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation

General: Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the Participant are subject to taxation by the Participant; however, no effort is expected to be made by TCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the State and forwarded out of State within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. Additionally, a disabled veteran who receives 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual employability is entitled to an exemption from taxation of the total appraised value of their residence homestead. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the Participant's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the Participant's voters may approve. The Participant's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the Participant's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the Participant.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran's exemption applied. The Participants have never adopted a general homestead exemption.

Tax Abatement: Travis County and the Participants may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the Participants have not executed any abatement agreements.

Freeport Goods and Goods-in-Transit: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit", which is defined as personal property acquired in or imported into the State and transported to another location inside or outside of the State within 175 days of the date the

property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provisions permit local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. The Master District and the Participants have elected to tax goods-in-transit.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Participant can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by TCAD or whether reappraisals will be conducted on a zone or county-wide basis. Each Participant, however, at its expense has the right to obtain from TCAD a current estimate of appraised values within the Participant or an estimate of any new property or improvements within the Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Participant, it cannot be used for establishing a tax rate within the Participant until such time as TCAD chooses formally to include such values on its appraisal roll.

Participant and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rights In the Event Of Tax Delinquencies

Taxes levied by the Participants are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the Participants, having power to tax the property. The Participant's tax lien is on a parity with tax liens of such other taxing units. See "TAX DATA - Overlapping Taxes for 2017". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Participants is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Participants may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Participants must join other taxing units that

have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - Tax Collections Limitations and Foreclosure Remedies."

Effect of FIRREA on Tax Collections

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

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

To the extent that the FIRREA provisions are valid and applicable to any property in the Participants, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the Participants, and may prevent the collection of penalties and interest on such taxes.

MANAGEMENT

Board of Directors

The board of directors of Wilbarger No. 2 also serves in the role as the board of directors of the Master District. The board of directors, consisting of five directors, has control over and management supervision of all affairs of the Master District subject to the terms of the Master District Contract. Directors' terms are four years with elections held within Wilbarger No. 2 on the uniform election date in November in each even numbered year. All of the Directors own property in Wilbarger No. 2.

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> | <u>Length of Service</u> |
|---------------------|---------------------|---------------------|--------------------------|
| James A. Baker | President | 11/06/2018 | 15 Years |
| Jennifer L. Goodrum | Vice President | 11/06/2018 | 13 Years |
| John Compton | Secretary | 11/03/2020 | 14 Years |
| Hal Guggolz | Assistant Secretary | 11/03/2020 | 2 ½ Year |
| Meredith Knight | Assistant Secretary | 11/06/2018 | 10 Years |

MASTER DISTRICT CONSULTANTS

Tax Assessor/Collector

Land and improvements in the Master District are being appraised for taxation by TCAD. Bruce Elfant, the Tax Assessor/Collector for Travis County, Texas, currently serves the Master District in this capacity under contract.

Operator

Crossroads Utility Services ("Crossroads") serves as Operator for the Master District. Crossroads serves in a similar capacity for 28 other special districts in the Travis, Williamson, Bastrop, and Hays Counties area.

Bookkeeper

Bott & Douthitt, P.L.L.C. ("B&D") Certified Public Accountants, is charged with the responsibility of providing bookkeeping services for the Master District. B&D serves in a similar capacity for 65 other special districts in the Austin metropolitan area.

Engineer

The Master District's consulting engineer is Schroeder Engineering Company (the "Engineer"). Such firm serves as consulting engineer to eleven other special districts in the Austin metropolitan area, including the three other Participants and an additional eight special districts in Texas.

Additionally, the Master District has engaged the services of Jones & Carter, Inc. to act as a Special Engineering Consultant with respect to the operation and maintenance of the Wastewater Treatment Plant.

Financial Advisor

Public Finance Group LLC serves as the Master District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. Public Finance Group LLC also serves as financial advisor to each of the Participants.

Bond Counsel and Disclosure Counsel

The Master District has engaged McCall Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel and Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds. McCall Parkhurst & Horton L.L.P. also serves as bond counsel to each of the Participants.

General Counsel

The Master District employs Armbrust & Brown, PLLC ("A&B") as general counsel. A&B also acts as general counsel to each of the Participants. The fees of A&B related to the Bonds are contingent upon the sale and delivery of the Bonds.

ANNEXATION

The Master District and the Participants are subject to annexation under certain circumstances. Pursuant to the provisions of the Development Agreement for the Cottonwood Subdivision, as amended (the "Original Development Agreement"), the City of Manor agreed not to dissolve or abolish Travis MUD No. 2, Wilbarger No. 1 or Wilbarger No. 2 for a period of 20 years from the date of the Original Development Agreement. The term of the Original Development Agreement as between the City of Manor and the developer parties thereunder was for a period of ten years and expired on January 10, 2011. The Original Development Agreement did not expire as between the City of Manor and the Participants. At the request of CHL and 2010 ShadowGlen, successor to the portion of the property subject to the Original Development Agreement previously owned by SRCL, the parties entered into a "Development Agreement for the ShadowGlen Subdivision" dated effective August 24, 2012 (the "Restated Development Agreement"), which (i) amended and restated the Original Development Agreement in its entirety as between the City of Manor, Wilbarger No. 1, Wilbarger No. 2, and Travis MUD No. 2 on terms and conditions similar to those contained in the Original Development Agreement; and (ii) terminated and replaced the Original Development Agreement as between the City of Manor and the developer parties. In December 2012, SG Land Holdings acquired all of the property in the ShadowGlen development owned by 2010 ShadowGlen. In connection with that transaction and with the City of Manor's consent, 2010 ShadowGlen assigned its interest in the Restated Development Agreement to SG Land Holdings pursuant to an "Assignment and Assumption of Development Agreement" dated effective December 21, 2012.

Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the District or its residents. Under Senate Bill 6 approved by the 85th Texas Legislature First Special Session, amending Sections 43.001 *et. seq.* effective December 1, 2017 (the "Annexation Legislation"), certain municipalities (generally those municipalities wholly or partly located in a county with a population of 500,000 or more) may annex a special district 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. As of the most recent federal decennial census (2010), the population of Travis County, in which the City lies entirely, was more than 500,000; thus triggering the Annexations Legislation's stricter voter approval and/or landowner consent requirements discussed above. In addition, a district (such as the Master District or any Participant) 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 such district's pro rata share of debt service on the Bonds). No representation is made concerning the likelihood of consolidation by any of the Participants.

LEGAL MATTERS

Legal Opinions

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

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the

transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No Litigation Certificate

The Master District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B -- Form of Bond Counsel Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included in gross income retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. 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"). 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 constitutes original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the

amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. 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 an 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.

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF MASTER DISTRICT INFORMATION

In the Bond Resolution, the Master District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master District is required to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds, within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the Master District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The Master District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the Master District of the general type included in this Official Statement under Tables 1 through 8 and in Appendix A (the “Annual Financial Information”). The Master District will additionally provide financial statements of the Master District (the “Financial Statements”) that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Master District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the Master District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The Master District will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The Master District may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the Master District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The Master District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The Master District’s current fiscal year end is September 30. Accordingly, the Annual Financial Information must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the Master District changes its fiscal year. If the Master District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The Master District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The Master District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the Master District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Master District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Master District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Master District).

The Master 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 Master District will also provide timely notice of any failure by the Master District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

Availability of Information from MSRB

The Master District has agreed to provide the foregoing information only to the MSRB. All documents provided by the Master 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 Master District has agreed to update information and to provide notices of events only as described above. The Master 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 Master 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 Master District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners may seek a writ of mandamus to compel the Master District to comply with its agreement.

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

Compliance with Prior Undertakings

During the past five years, the Master District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule.

CONTINUING DISCLOSURE OF PARTICIPANT INFORMATION

Each Participant has executed a Continuing Disclosure Agreement with the Master District for the benefit of the holders and beneficial owners of the Bonds. Each Continuing Disclosure Agreement requires the respective Participant to annually provide certain information under such agreement for so long as it remains an obligated person with respect to the Bonds, within the meaning of the Rule. Under the Continuing Disclosure Agreement, each Participant will be obligated to provide certain financial information and operating data with respect to its financial and operating condition. This information will be available via the EMMA system at www.emma.msrb.org.

Annual Reports

Each Participant 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 each Participant to-wit: (i) annual audited financial statements of each Participant and (ii) the information contained in Appendix A hereto that relates to each respective Participant. Each Participant will update and provide this information within six months after the end of each fiscal year to the MSRB.

Each Participant may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, each Participant will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with such accounting principles as each Participant may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

Each Participant will also provide timely notice of any failure by it to provide information, data or financial statements in accordance with its agreement. Each Participant will provide the notice described in this paragraph to the MSRB.

Availability of Information

Information agreed to be provided by any Participant upon request may be obtained by contacting the Participant c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701, Attention: John Bartram (telephone no. (512) 435-2300; facsimile no. (512) 435-2360). Information provided to the MSRB will be available via the EMMA system at www.emma.msrb.org. 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 Participants have agreed to provide updated information and notices of events only as described above. The Participants have not agreed to provide other information that may be relevant or material to a complete presentation of the financial results of operations, condition, or prospects of the Participants or agreed to update any information that is provided, except as described above. The Participants make 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 Participants disclaim 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 of Bonds may seek a writ of mandamus to compel the Participants to comply with its agreement.

The Participants and the Master District may amend their 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 type of operations of the Participants, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the Outstanding Contract Bonds consent or any person unaffiliated with the Master District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interest of the beneficial owners of the Bonds. The Participants and the Master District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, or in the Participants' discretion under any other circumstance, but in either case only if and to the extent that reserving the right to do so does not make unlawful the Initial Purchaser's purchase and sale of the Bonds in the offering described herein. If the Participants and the Master District amend their agreements, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the Participants have complied in all material respects with all continuing disclosure agreements made by them in accordance with the Rule.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the Master District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE MASTER DISTRICT" and "PARTICIPANTS IN CURRENT SERVICE AREA" - SVWW Manor Limited Partnership ("SVWW"); SG Land Holdings LLC ("SG Land Holdings"); KB Home Lone Star, Inc. ("KB Home"); Schroeder Engineering Company ("Master District's Engineer"), Manor Independent School District, and various area commercial and retail establishments; "THE DEVELOPERS" - SG Land Holdings; KB Home; "MASTER DISTRICT FACILITIES" - Engineer; "COMPOSITE FINANCIAL STATEMENT" - TCAD, Municipal Advisory Council of Texas; "TAX DATA" and "MASTER DISTRICT FACILITIES - Operations" - Audits, Records and Tax Assessor/Collector; "MASTER DISTRICT FACILITIES - Water Supply and Distribution" - Crossroads/Metro; "MANAGEMENT" - Master

District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor. "THE BONDS" except under the subheading " - Payment Record," "SUMMARY OF CERTAIN DOCUMENTS," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," "CONTINUING DISCLOSURE OF MASTER DISTRICT INFORMATION" except under the subheading " - Compliance with Prior Undertakings" and "CONTINUING DISCLOSURE OF PARTICIPANT INFORMATION" except under the subheading " - Compliance with Prior Agreements" - McCall, Parkhurst & Horton L.L.P.

Consultants

In approving this Official Statement, the Master District has relied upon the following consultants in addition to the Financial Advisor.

The Master District's Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the Master District's water and wastewater treatment facilities, and, in particular, that information included in the section entitled "MASTER DISTRICT FACILITIES," has been provided by Schroeder Engineering Company, Inc., and has been included in reliance upon the authority of said firm in the field of civil engineering.

Additionally, the Master District has engaged the services of Jones & Carter, Inc. to act as a Special Engineering Consultant with respect to the operation and maintenance of the Wastewater Treatment Plant.

Auditor: The Master District's financial statements for the fiscal year ended September 30, 2017 were prepared by McCall, Gibson, Swedlund, Barfoot P.L.L.C, Certified Public Accountants. See "Appendix B" for a copy of the Master District's September 30, 2017 audited financial statements.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property within the Service Area and principal taxpayers, including such information contained in the section captioned "COMPOSITE FINANCIAL STATEMENT," has been obtained from TCAD, in reliance upon their authority in the field of appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Bruce Elfant, the Travis County, Texas Tax Assessor/Collector, in reliance upon his authority in the field of tax assessing and collecting.

Certification as to Official Statement

The Master District, acting by and through its Board of Directors in its official capacity 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 Master District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the Master District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Master District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the Master District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Underwriters.

Annual Audits

Under Texas Law, the Master District must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the Master District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year. Copies of each audit report must also be filed in the office of the Master District. The Master District's fiscal records and audit reports are available for public inspection during regular business hours, and the Master District is required by law to provide a copy of the Master District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 in its role as the Master District, as of the date shown on the first page hereof.

/s/James ("Jim") A. Baker
President, Board of Directors
Wilbarger Creek Municipal Utility District No. 2

/s/John Compton
Secretary, Board of Directors
Wilbarger Creek Municipal Utility District No. 2

PHOTOGRAPHS

The following photographs were taken in the Master District's Service Area. The homes and commercial establishments shown in the photographs are representative of the type of construction presently located within the Master District's Service Area, and these photographs are presented solely to illustrate such construction. The Master District makes no representation that any additional construction such as that as illustrated in the following pages will occur in the Master District's Service Area. See "THE MASTER DISTRICT."

















APPENDIX A

Certain Financial Information Regarding the Participants

Selected information concerning the Participants is included in this Appendix in addition to certain general information concerning the Participants and their obligation under the Master District Contract. See "PARTICIPANTS IN CURRENT SERVICE AREA" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract" therein. Each Participant is severally liable for its Pledged Contract Payments in an amount equal to its pro rata share of debt service requirements on the Bonds and Outstanding Contract Bonds. No Participant is liable for more than its share of such debt service. Consequently, the ability of the Master District to make timely payment of principal of and interest on the Bonds and Outstanding Contract Bonds would be impaired if any Participant became unable to make its Pledged Contract Payments in full when due, unless the year-end balance of the bond fund of the Master District exceeded the amount of such Participant's deficiency.

Certain Calculations

The information concerning the debt structure of the Participants makes reference to the principal amount of each Participant's pro rata share of debt service on the Bonds and Outstanding Contract Bonds, each Participant's outstanding unlimited tax bonds, if any, and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt - The principal amount of each Participant's pro rata share of the Master District Contract debt has been calculated for purposes of analysis by allocating the principal amount of the Bonds among the Participants in proportion to their assessed valuation. The assessed valuations are based on the 2018 Assessed Valuation of each Participant of the Service Area which totals \$419,504,547. A Participant's share of annual debt service requirements on the Bonds and Outstanding Contract Bonds will be determined annually by reference to their relative certified assessed valuations as of January 1 established by TCAD.

Tax Rate Calculations - Tax rate calculations assume that each Participant's assessed valuation does not increase from its 2018 Assessed Valuation, that each Participant collects ninety-five percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional unlimited contract tax bonds. Average annual debt service requirements for each Participant are calculated from 2019 through the final year of maturity for the unlimited tax bonds issued by the Participant. Master District Contract debt payments are calculated by averaging the payments to be made annually from 2019 through 2035 and assuming that each Participant's percentage share of the debt service on the Bonds and Outstanding Contract Bonds does not change.

TRAVIS MUD NO. 2

Status of Development (as of July 11, 2018):

| | Gross Acreage | Platted Lots | Single-Family | | |
|--------------------------------------|------------------|-----------------|--------------------|-----------------------------|----------------|
| | | | Completed Homes | Homes Under Construction | Vacant Lots |
| A. Developed with Utility Facilities | | | | | |
| ShadowGlen Phases One and Two | | | | | |
| Sections 1A, 2A, 3A & 4A | 48.80 | 139 | 139 | 0 | 0 |
| Sections 1B, 2B, 3B & 4B | 55.90 | 208 | 208 | 0 | 0 |
| Section 5 | 9.10 | 39 | 39 | 0 | 0 |
| Section 6 | 8.40 | 35 | 35 | 0 | 0 |
| Section 7 | 13.10 | 60 | 60 | 0 | 0 |
| Section 8 | 12.60 | 55 | 55 | 0 | 0 |
| Section 10 | 12.50 | 54 | 54 | 0 | 0 |
| Sections 12 and 13 | 24.70 | 67 | 29 | 6 | 32 |
| Section 14A | 15.10 | 56 | 55 | 0 | 1 |
| Section 14B-1 | 10.30 | 43 | 38 | 4 | 1 |
| Section 14B-2 | 13.20 | 54 | 36 | 3 | 15 |
| Section 16 | 33.63 | 85 | 13 | 14 | 58 |
| Commercial | 6.60 | 0 | 0 | 0 | 0 |
| Amenity Center | <u>4.00</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Developed with Utilities | 267.93 | 895 | 761 | 27 | 107 |
| B. Remaining Developable Acreage | | | | | |
| Single-Family | 124.67 | | | | |
| Commercial | <u>5.10</u> | | | | |
| Total Remaining Developable Acreage | 129.77 | | | | |
| C. Undevelopable Acreage | <u>6.41</u> | | | | |
| Total | 404.11 | | | | |

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2017 Certified Assessed Valuation

\$ 185,824,883 ^(a)

2018 Certified Assessed Valuation

206,826,786 ^(a)

| Outstanding Debt | Gross Debt | Average Annual Debt | Maximum Annual Debt |
|---|----------------------|---------------------|---------------------|
| Direct Obligations of Travis MUD No. 2 ^(b) | \$ 12,445,000 | \$ 882,304 | \$ 927,444 |
| Contract Unlimited Tax ^(c) | 8,236,005 | 680,434 | 689,680 |
| | <u>\$ 20,681,005</u> | <u>\$ 1,562,738</u> | <u>\$ 1,617,124</u> |

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis MUD No. 2 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis MUD No. 2's pro rata share of the Bonds and Outstanding Contract Bonds based upon the Service Area 2018 Assessed Valuation of \$419,504,547.

Ratio of Gross Debt to 2017 Certified Assessed Valuation

11.13%

Ratio of Gross Debt to 2018 Certified Assessed Valuation

10.00%

Fund Balances as of August 1, 2018 (Unaudited)

| | |
|------------------------|--------------|
| General Operating Fund | \$ 2,121,777 |
| Debt Service Fund | 1,033,115 |
| Capital Projects Fund | 1,229,384 |

Tax Information

| | <u>District</u> | <u>Contract</u> | <u>Total</u> |
|---|-----------------|-----------------|-------------------|
| Tax Rate required to pay Average Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ 0.45 | \$ 0.35 | \$ 0.80 /\$100 AV |
| Tax Rate required to pay Maximum Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ 0.47 | \$ 0.35 | \$ 0.82 /\$100 AV |

Tax Rate Distribution

| Tax Rate Distribution | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| Debt Service | \$ 0.4245 | \$ 0.3640 | \$ 0.3935 | \$ 0.5008 | \$ 0.5196 |
| Maintenance | 0.1428 | 0.2160 | 0.2150 | 0.0937 | 0.0804 |
| Contract | 0.3500 | 0.3500 | 0.3500 | 0.3800 | 0.3800 |
| Total | \$ 0.9173 | \$ 0.9300 | \$ 0.9585 | \$ 0.9745 | \$ 0.9800 |

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Tax Collections

| Tax Year | Assessed Valuation | Tax Rate | Tax Levy | Current Collections | | Total Collections | | Tax Year Ending |
|----------|--------------------|-----------|-----------|---------------------|---------|-------------------|---------|--------------------------|
| | | | | Amount | Percent | Amount | Percent | |
| 2001 | \$ 5,548,195 | \$ 0.9500 | \$ 52,708 | \$ 37,265 | 70.70% | \$ 37,265 | 70.70% | 9/30/2002 ^(a) |
| 2002 | 1,647,459 | 0.9500 | 15,651 | 15,640 | 99.93% | 15,640 | 99.93% | 9/30/2003 ^(a) |
| 2003 | 1,319,118 | 0.9500 | 12,532 | 12,532 | 100.00% | 29,175 | 232.80% | 9/30/2004 ^(a) |
| 2004 | 16,278,223 | 0.9500 | 154,643 | 153,937 | 99.54% | 153,937 | 99.54% | 9/30/2005 ^(a) |
| 2005 | 40,235,182 | 0.9500 | 382,234 | 380,521 | 99.55% | 381,227 | 99.74% | 9/30/2006 ^(a) |
| 2006 | 74,354,358 | 0.9000 | 669,189 | 655,195 | 97.91% | 656,821 | 98.15% | 9/30/2007 ^(a) |
| 2007 | 99,573,568 | 0.9000 | 896,162 | 887,579 | 99.04% | 899,983 | 100.43% | 9/30/2008 ^(a) |
| 2008 | 127,815,229 | 0.8800 | 1,124,774 | 1,114,654 | 99.10% | 1,112,468 | 98.91% | 9/30/2009 ^(a) |
| 2009 | 134,540,289 | 0.8800 | 1,183,955 | 1,181,046 | 99.75% | 1,189,930 | 100.50% | 9/30/2010 ^(a) |
| 2010 | 119,867,425 | 0.9700 | 1,162,714 | 1,155,031 | 99.34% | 1,170,507 | 100.67% | 9/30/2011 ^(a) |
| 2011 | 112,245,144 | 0.9700 | 1,088,778 | 1,083,926 | 99.55% | 1,092,817 | 100.37% | 9/30/2012 ^(a) |
| 2012 | 107,838,981 | 0.9800 | 1,056,822 | 1,049,909 | 99.35% | 1,052,945 | 99.63% | 9/30/2013 ^(a) |
| 2013 | 113,702,843 | 0.9800 | 1,116,323 | 1,115,207 | 99.90% | 1,115,207 | 99.90% | 9/30/2014 ^(a) |
| 2014 | 124,228,780 | 0.9745 | 1,210,609 | 1,209,398 | 99.90% | 1,209,398 | 99.90% | 9/30/2015 ^(a) |
| 2015 | 146,519,034 | 0.9585 | 1,404,624 | 1,399,006 | 99.60% | 1,399,006 | 99.60% | 9/30/2016 ^(a) |
| 2016 | 165,413,872 | 0.9300 | 1,539,328 | 1,531,631 | 99.50% | 1,531,631 | 99.50% | 9/30/2017 ^(a) |
| 2017 | 185,824,883 | 0.9173 | 1,720,457 | 1,684,178 | 97.89% | 1,687,213 | 98.07% | 9/30/2018 ^(b) |

(a) Audited.

(b) Unaudited; reflects tax collections through April 30, 2018. Taxes were due with no late penalty by January 31, 2018.

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Principal Taxpayers

| Principal Taxpayers | Type Property | 2018 ^(a) | 2017 | 2016 |
|--------------------------------------|---------------------|----------------------|----------------------|----------------------|
| Shadowglen MOB Partners LLC | Land & Improvements | \$ - | \$ 8,874,800 | \$ 8,441,614 |
| SG Land Holdings LLC | Land & Improvements | 4,851,798 | 5,165,841 | 5,391,040 |
| HFS Brothers Investments LLC | Land & Improvements | 3,200,000 | 3,700,000 | 3,183,027 |
| CalAtlantic Homes of Texas | Land & Improvements | - | 629,366 | 1,823,069 |
| Arise Healthcare System LLC | Land & Improvements | 460,651 | 579,690 | 785,549 |
| Individual Homeowners | Land & Improvements | 678,617 | 634,082 | 602,821 |
| Individual Homeowners | Land & Improvements | - | - | 353,058 |
| Individual Homeowners | Land & Improvements | - | - | 335,525 |
| Individual Homeowners | Land & Improvements | - | - | 324,711 |
| Individual Homeowners | Land & Improvements | - | - | 324,047 |
| ASC Medical 8 Holdings LLC | Land & Improvements | 10,000,000 | - | - |
| RH of Texas LP | Land & Improvements | - | - | - |
| RH of Texas LP | Land & Improvements | - | - | - |
| M2 Lease Funds LLC | Land & Improvements | - | - | - |
| Spasco Ltd | Land & Improvements | - | - | - |
| Scott Felder Homes LLC | Land & Improvements | 620,747 | 940,321 | - |
| Scott Felder Homes LLC | Land & Improvements | - | 586,115 | - |
| Buffington Texas Classic | Land & Improvements | 505,551 | 523,224 | - |
| Perry Homes LLC | Land & Improvements | 556,783 | 508,425 | - |
| Buffington Texas Classic Homes LLC | Land & Improvements | 505,551 | - | - |
| Gehan Homes Ltd. | Land & Improvements | 474,000 | - | - |
| Individual Homeowners | Land & Improvements | - | - | - |
| Individual Homeowners | Land & Improvements | - | - | - |
| | | \$ 21,853,698 | \$ 22,141,864 | \$ 21,564,461 |
| Percent of Assessed Valuation | | 10.57% | 11.92% | 14.72% |

(a) Unaudited.

Bonds Authorized But Unissued

| Date of Authorization | Purpose | Authorized | Issued to Date | Unissued |
|-----------------------|----------------------------------|---------------|----------------|---------------|
| 5/3/2003 | Water, Sanitary Sewer & Drainage | \$ 38,580,000 | \$ 14,475,000 | \$ 24,105,000 |
| 5/3/2003 | Refunding ^(a) | 57,870,000 | 725,000 | 57,145,000 |
| 2/7/2004 | Park and Recreational Facilities | 3,500,000 | - | 3,500,000 |

(a) The proposition authorized Travis MUD No. 2 to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by Travis MUD No. 2 from the sale of refunding bonds after deducting Underwriters' discount is also counted against Travis MUD No. 2's refunding authorization.

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Estimated Overlapping Debt Statement

| Taxing Body | Gross Debt | | % of Overlapping Gross Debt | Amount of Overlapping Net Debt |
|---|----------------|-----------|-----------------------------|--------------------------------|
| | Amount | As of | | |
| Travis County | \$ 705,136,179 | 7/31/2018 | 0.11% | \$ 763,529 |
| Travis County Healthcare District | 9,380,000 | 7/31/2018 | 0.11% | 10,154 |
| Austin Community College District | 297,583,965 | 7/31/2018 | 0.40% | 1,196,761 |
| Manor Independent School District | 330,459,999 | 7/31/2018 | 3.25% | <u>10,723,725</u> |
| TOTAL ESTIMATED OVERLAPPING NET DEBT | | | | \$12,694,169 |
| Travis MUD No. 2 (a) | \$ 21,283,877 | 7/31/2018 | 100.00% | <u>\$ 21,283,877</u> |
| TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT | | | | <u>\$33,978,046</u> |
| Ratio of Estimated and Overlapping Debt to Certified 2017 Assessed Valuation | | | | 18.28% |
| Ratio of Estimated and Overlapping Debt to Certified 2018 Assessed Valuation | | | | 16.43% |

(a) Travis MUD No. 2's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2017 Certified Assessed Valuation.

Estimated Overlapping Taxes for 2017

| Overlapping Entity | 2017 Tax Rate Per | |
|-----------------------------------|--------------------------|---------------------------------|
| | \$100 Assessed Valuation | Average Tax Bill ^(a) |
| | Travis County | Travis County |
| Travis County | \$0.369000 | \$ 922 |
| Manor Independent School District | \$1.515000 | 3,784 |
| Travis County Healthcare District | \$0.107385 | 268 |
| Austin Community College District | \$0.100800 | 252 |
| Travis County ESD No. 12 | \$0.100000 | 250 |
| Travis MUD No. 2 | <u>\$0.917300</u> | <u>2,291</u> |
| Total | <u>\$3.109485</u> | <u>\$ 7,767</u> |

(a) Based upon the 2017 average single-family home value of \$249,790 as provided by TCAD.

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Cottonwood Creek

Status of Development (as of July 11, 2018):

| | Acreage | Platted Lots | Single-Family Homes | | Vacant Developed Lots |
|--|---------|-----------------|---------------------|-----------------------|-----------------------------|
| | | | Completed | Under Construction | |
| A. Developed with Utility Facilities | | | | | |
| Presidential Meadows Section 1 | 32.50 | 93 | 93 | - | - |
| Presidential Meadows Section 2 | 21.60 | 107 | 107 | - | - |
| Presidential Meadows Section 3 | 13.70 | 83 | 83 | - | - |
| Presidential Meadows Section 4 | 37.30 | 108 | 108 | - | - |
| Presidential Meadows Section 5 | 17.60 | 95 | 83 | - | 12 |
| Presidential Meadows Section 6 | 20.20 | 89 | 89 | - | - |
| Presidential Meadows Section 7 | 2.90 | 14 | 8 | 1 | 5 |
| Presidential Meadows Section 8 | 20.70 | 102 | 96 | 2 | 4 |
| Presidential Meadows Section 9 | 30.70 | 129 | 60 | 33 | 36 |
| Presidential Meadows Section 10 | 19.10 | 102 | 95 | 4 | 3 |
| Presidential Meadows Section 13 | 21.80 | 121 | - | 40 | 81 |
| Commercial | 2.50 | - | - | - | - |
| Total Developed with Utilities | 240.60 | 1,043 | 822 | 80 | 141 |
| B. Utilities Under Design or Construction | | | | | |
| Presidential Meadows Section 11 | 28.97 | 133 | | | |
| Total Utilities Under Design or Construction | 28.97 | 133 | | | |
| Total Developed with Utilities or Under Design and/or Construction | 269.57 | | | | |
| B. Remaining Developable Acreage | | | | | |
| Single-Family | 84.33 | | | | |
| Commercial | 44.20 | | | | |
| Total Remaining Developable Acreage | 128.53 | | | | |
| C. Other | | | | | |
| Amenity Center | 4.70 | | | | |
| School | 13.50 | | | | |
| Storage Tank | 1.40 | | | | |
| Total Other | 19.60 | | | | |
| Total District Acreage | 417.70 | | | | |

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2017 Certified Assessed Valuation

\$ 118,034,416 ^(a)

2018 Certified Assessed Valuation

\$ 167,143,226 ^(a)

| Outstanding Debt | Gross Debt | Average Annual Debt | Maximum Annual Debt |
|---|----------------------|----------------------------|----------------------------|
| Direct Obligations of Cottonwood Creek ^(b) | \$ 8,430,000 | \$ 292,025 | \$ 330,625 |
| Contract Unlimited Tax ^(c) | 6,655,774 | 432,206 | 438,079 |
| | \$ 15,085,774 | \$ 724,231 | \$ 768,704 |

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Cottonwood Creek to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Cottonwood Creek's pro rata share of the Bonds and Outstanding Contract Bonds based upon the Service Area 2018

Assessed Valuation of \$419,504,547.

Ratio of Gross Debt to 2017 Certified Assessed Valuation

12.78%

Ratio of Gross Debt to 2018 Certified Assessed Valuation

9.03%

Fund Balances as of July 10, 2018 (Unaudited)

| | |
|------------------------|--------------|
| General Operating Fund | \$ 1,802,167 |
| Debt Service Fund | 538,686 |
| Capital Projects Fund | 267,570 |

Tax Information

| | <u>District</u> | <u>Contract</u> | <u>Total</u> |
|---|------------------------|------------------------|---------------------|
| Tax Rate required to pay Average Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ 0.18 | \$ 0.28 | \$ 0.46 /\$100 AV |
| Tax Rate required to pay Maximum Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ 0.21 | \$ 0.28 | \$ 0.49 /\$100 AV |

Tax Rate Distribution

| Tax Rate Distribution | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Debt Service | \$ 0.1788 | \$ 0.2425 | \$ 0.1746 | \$ 0.2414 | \$ 0.3503 |
| Maintenance | 0.3212 | 0.3245 | 0.3924 | 0.3286 | 0.3597 |
| Contract | 0.3500 | 0.3500 | 0.3500 | 0.3800 | 0.3800 |
| Total | \$ 0.8500 | \$ 0.9170 | \$ 0.9170 | \$ 0.9500 | \$ 1.0900 |

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Tax Collections

| Tax Year | Assessed Valuation | Tax Rate | Tax Levy | Current Collections | | Total Collections | | Tax Year Ending |
|----------|--------------------|-----------|-----------|---------------------|---------|-------------------|---------|--------------------------|
| | | | | Amount | Percent | Amount | Percent | |
| 2002 | \$ 275,656 | \$ 0.9500 | \$ 2,619 | \$ 2,619 | 100.00% | \$ 2,619 | 100.00% | 9/30/2003 ^(a) |
| 2003 | 4,392,774 | 0.9500 | 41,731 | 41,731 | 100.00% | 41,731 | 100.00% | 9/30/2004 ^(a) |
| 2004 | 4,396,914 | 0.9500 | 41,771 | 41,771 | 100.00% | 41,771 | 100.00% | 9/30/2005 ^(a) |
| 2005 | 10,068,778 | 0.9500 | 95,653 | 93,362 | 97.60% | 95,392 | 99.73% | 9/30/2006 ^(a) |
| 2006 | 25,885,074 | 0.8968 | 232,137 | 231,889 | 99.89% | 232,297 | 100.07% | 9/30/2007 ^(a) |
| 2007 | 43,413,730 | 0.8968 | 389,333 | 384,032 | 98.64% | 389,333 | 100.00% | 9/30/2008 ^(a) |
| 2008 | 53,068,848 | 0.8968 | 475,921 | 474,874 | 99.78% | 475,247 | 99.86% | 9/30/2009 ^(a) |
| 2009 | 57,745,415 | 0.8968 | 517,861 | 493,629 | 95.32% | 516,019 | 99.64% | 9/30/2010 ^(a) |
| 2010 | 53,881,905 | 0.9500 | 511,879 | 507,015 | 99.05% | 509,288 | 99.49% | 9/30/2011 ^(a) |
| 2011 | 49,378,416 | 0.9700 | 478,971 | 477,387 | 99.67% | 477,572 | 99.71% | 9/30/2012 ^(a) |
| 2012 | 41,610,277 | 1.1000 | 457,712 | 454,881 | 99.38% | 456,285 | 99.69% | 9/30/2013 ^(a) |
| 2013 | 44,481,462 | 1.0900 | 484,902 | 483,932 | 99.80% | 483,932 | 99.80% | 9/30/2014 ^(a) |
| 2014 | 47,803,660 | 0.9500 | 454,135 | 453,227 | 99.80% | 453,227 | 99.80% | 9/30/2015 ^(a) |
| 2015 | 62,538,436 | 0.9170 | 572,315 | 567,775 | 99.21% | 572,315 | 100.00% | 9/30/2016 ^(b) |
| 2016 | 84,549,865 | 0.9170 | 775,364 | 771,487 | 99.50% | 771,487 | 99.50% | 9/30/2017 ^(c) |
| 2017 | 118,034,416 | 0.8500 | 1,015,969 | 996,801 | 98.11% | 998,919 | 98.32% | 9/30/2018 ^(c) |

(a) Audited.

(b) Unaudited; reflects tax collections through April 30, 2018. Taxes were due with no late penalty by January 31, 2018.

Principal Taxpayers

| Principal Taxpayers | Type Property | 2018 ^(a) | 2017 | 2016 |
|--------------------------------------|---------------------|----------------------|----------------------|----------------------|
| KB Home Lone Star LP | Land & Improvements | \$ 7,654,734 | \$ 3,974,637 | \$ 6,451,019 |
| Presidential Meadows LP | Land & Improvements | 2,708,509 | 4,800,722 | 4,151,557 |
| IBC Partners Ltd. | Land & Improvements | 3,418,010 | 3,429,286 | 3,448,010 |
| GFAA Partners Inc. | Land & Improvements | 779,359 | 779,414 | 780,978 |
| Lion Capital LLC | Land & Improvements | 1,251,339 | 499,511 | 499,511 |
| Presidential Glen Ltd. | Land & Improvements | 425,656 | 425,656 | 425,656 |
| Individual Homeowner | Land & Improvements | 417,925 | 397,732 | 349,929 |
| Dinsmore Living Trust | Land & Improvements | - | 339,052 | 319,450 |
| American Homes 4 Rent | Land & Improvements | 358,472 | 318,738 | 301,245 |
| Individual Homeowner | Land & Improvements | 307,573 | 270,195 | 253,310 |
| Individual Homeowner | Land & Improvements | 304,163 | - | - |
| SVWW Manor LP | Land & Improvements | - | - | - |
| Kaiser Properties Blue LLC | Land & Improvements | - | - | - |
| GFAA Partners Inc. | Land & Improvements | - | - | - |
| | | \$ 17,625,740 | \$ 15,234,943 | \$ 16,980,665 |
| Percent of Assessed Valuation | | 10.55% | 12.91% | 20.08% |

(a) Unaudited.

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Bonds Authorized But Unissued

| Date of Authorization | Purpose | Authorized | Issued to Date | Unissued |
|-----------------------|----------------------------------|---------------------------|----------------|---------------|
| 5/3/2003 | Water, Sanitary Sewer & Drainage | \$ 41,060,000 | \$ 5,000,000 | \$ 36,060,000 |
| 5/3/2003 | Refunding ^(a) | 61,590,000 ^(a) | 190,000 | 61,400,000 |
| 2/7/2004 | Park and Recreational Facilities | 5,250,000 | - | 5,250,000 |

- (a) The proposition authorized Cottonwood Creek to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by Cottonwood Creek from the sale of refunding bonds after deducting Underwriters' discount is also counted against Cottonwood Creek's refunding authorization.

Estimated Overlapping Debt Statement

| Taxing Body | Gross Debt | | % of Overlapping Gross Debt | Amount of Overlapping Net Debt |
|---|----------------|-----------|-----------------------------|--------------------------------|
| | Amount | As of | | |
| Travis County | \$ 705,136,179 | 7/31/2018 | 0.07% | \$ 484,987 |
| Travis County Healthcare District | 9,380,000 | 7/31/2018 | 0.07% | 6,450 |
| Austin Community College District | 297,583,965 | 7/31/2018 | 0.26% | 760,173 |
| Manor Independent School District | 330,459,999 | 7/31/2018 | 2.06% | 6,811,620 |
| TOTAL ESTIMATED OVERLAPPING NET DEBT | | | | \$ 8,063,230 |
| Cottonwood Creek (a) | \$ 14,044,381 | 7/31/2018 | 100.00% | \$ 14,044,381 |
| TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT | | | | \$22,107,611 |
| Ratio of Estimated and Overlapping Debt to Certified 2017 Assessed Valuation | | | | 18.73% |
| Ratio of Estimated and Overlapping Debt to Certified 2018 Assessed Valuation | | | | 13.23% |

- (a) Cottonwood Creek's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2017 Certified Assessed Valuation.

Overlapping Taxes for 2017

| Overlapping Entity | 2017 Tax Rate Per | |
|-----------------------------------|--------------------------|---------------------------------|
| | \$100 Assessed Valuation | Average Tax Bill ^(a) |
| | Travis County | Travis County |
| Travis County | \$0.369000 | \$ 609 |
| Manor Independent School District | \$1.515000 | 2,499 |
| Travis County Healthcare District | \$0.107385 | 177 |
| Austin Community College District | \$0.100800 | 166 |
| Travis County ESD No. 12 | \$0.100000 | 165 |
| Cottonwood Creek | <u>\$0.850000</u> | <u>1,402</u> |
| Total | <u>\$3.042185</u> | <u>\$ 5,019</u> |

(a) Based upon the 2017 average single-family home value of \$164,968 as provided by TCAD.

WILBARGER NO. 1

Status of Development (as of July 11, 2018):

| | Acreage | Platted Lots | Single-Family | | |
|---|---------------|-----------------|--------------------|-----------------------------|----------------|
| | | | Completed Homes | Homes Under Construction | Vacant Lots |
| A. Developed with Utility Facilities | | | | | |
| ShadowGlen Phase 2, Section 15A | 12.20 | 54 | 54 | 0 | 0 |
| ShadowGlen Phase 2, Section 15B | 15.30 | 83 | 81 | 0 | 2 |
| Section 19A | <u>14.80</u> | <u>75</u> | <u>44</u> | <u>18</u> | <u>13</u> |
| Total Developed with Utilities | 42.30 | 212 | 179 | 18 | 15 |
| B. Utility Facilities Currently Under Construction | | | | | |
| ShadowGlen Phase 2, Section 19B | 9.15 | 49 | | | |
| ShadowGlen Phase 2, Section 20 | <u>10.80</u> | <u>72</u> | | | |
| Total Single Family Currently Under Construction | 19.95 | 121 | | | |
| C. Other Development | | | | | |
| Elementary School | 11.60 | | | | |
| Shadow Glen Trace Commercial | 4.00 | | | | |
| Roads | <u>3.11</u> | | | | |
| Total Other Developed with Utilities | 18.71 | | | | |
| D. Total Developed or Currently Under Construction | 80.96 | 333 | | | |
| E. Remaining Developable Acreage^(a) | | | | | |
| Single-Family | 173.56 | | | | |
| Multi-Family | 17.30 | | | | |
| Park/Elevated Storage Tank | <u>28.60</u> | | | | |
| Total Remaining Developable Acreage | 219.46 | | | | |
| Total | 300.42 | | | | |

(a) Includes Section 24A (15.80 acres; platted as 66 single family lots) and Section 24B (11.27 acres; platted as 59 single-family lots); construction of the utility facilities serving Section 24A and 25B are expected to begin in August 2018 and are expected to be completed by the end of the first quarter of 2019. Although Meritage Homes is constructing such utility facilities, SG Land Holdings has retained reimbursement rights to relevant bond proceeds.

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2017 Certified Assessed Valuation

\$ 30,507,934 ^(a)

2018 Certified Assessed Valuation

37,962,619 ^(a)

| Outstanding Debt | Gross Debt | Average Annual Debt | Maximum Annual Debt |
|--|---------------------|----------------------------|----------------------------|
| Direct Obligations of Wilbarger No. 1 ^(b) | \$ 3,030,000 | \$ - | \$ - |
| Contract Unlimited Tax ^(c) | 1,511,701 | 122,709 | 124,377 |
| | \$ 4,541,701 | \$ 122,709 | \$ 124,377 |

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Wilbarger No. 1 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Wilbarger No. 1's pro rata share of the Bonds and Outstanding Contract Bonds based upon the Service Area 2018 Assessed Valuation of \$419,504,547.

Ratio of Gross Debt to 2017 Certified Assessed Valuation 14.89%

Ratio of Gross Debt to 2018 Certified Assessed Valuation 11.96%

Fund Balances as of August 2, 2018 (Unaudited)

| | |
|------------------------|------------|
| General Operating Fund | \$ 848,504 |
| Debt Service Fund | 236,030 |
| Capital Projects Fund | 1,085,131 |

Tax Information

| | <u>District</u> | <u>Contract</u> | <u>Total</u> |
|---|------------------------|------------------------|---------------------|
| Tax Rate required to pay Average Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ - | \$ 0.34 | \$ 0.34 /\$100 AV |
| Tax Rate required to pay Maximum Requirement based on 2018 Certified Assessed Valuation at 95% collection | \$ - | \$ 0.35 | \$ 0.35 /\$100 AV |

Tax Rate Distribution

| Tax Rate Distribution | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Debt Service | \$ - | \$ - | \$ - | \$ - | \$ - |
| Maintenance | 0.5280 | 0.5395 | 0.5580 | 0.5450 | 0.5684 |
| Contract | 0.3500 | 0.3500 | 0.3500 | 0.3800 | 0.3800 |
| Total | \$ 0.8780 | \$ 0.8895 | \$ 0.9080 | \$ 0.9250 | \$ 0.9484 |

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Tax Collections

| Tax Year | Assessed Valuation | Tax Rate | Tax Levy | Current Collections | | Total Collections | | Tax Year Ending |
|----------|--------------------|-----------|----------|---------------------|---------|-------------------|---------|--------------------------|
| | | | | Amount | Percent | Amount | Percent | |
| 2004 | \$ 94,593 | \$ 0.9500 | \$ 899 | \$ 899 | 100.00% | \$ 899 | 100.00% | 9/30/2005 ^(a) |
| 2005 | 736,908 | 0.9500 | 6,998 | 6,998 | 100.00% | 6,998 | 100.00% | 9/30/2006 ^(a) |
| 2006 | 638,733 | 0.9500 | 6,068 | 6,068 | 100.00% | 6,068 | 100.00% | 9/30/2007 ^(a) |
| 2007 | 3,741,461 | 0.9500 | 35,544 | 35,287 | 99.28% | 35,336 | 99.41% | 9/30/2008 ^(a) |
| 2008 | 8,679,738 | 0.9500 | 82,458 | 82,458 | 100.00% | 82,245 | 99.74% | 9/30/2009 ^(a) |
| 2009 | 10,371,656 | 0.9500 | 98,530 | 97,490 | 98.94% | 97,490 | 98.94% | 9/30/2010 ^(a) |
| 2010 | 11,924,440 | 0.9500 | 113,282 | 113,282 | 100.00% | 113,282 | 100.00% | 9/30/2011 ^(a) |
| 2011 | 12,863,771 | 0.9500 | 122,554 | 122,202 | 99.71% | 122,202 | 99.71% | 9/30/2012 ^(a) |
| 2012 | 13,691,987 | 0.9500 | 130,120 | 129,732 | 99.70% | 129,732 | 99.70% | 9/30/2013 ^(a) |
| 2013 | 20,265,579 | 0.9484 | 192,198 | 192,178 | 99.99% | 192,566 | 100.19% | 9/30/2014 ^(a) |
| 2014 | 23,104,099 | 0.9250 | 213,713 | 213,713 | 100.00% | 213,713 | 100.00% | 9/30/2015 ^(a) |
| 2015 | 27,242,750 | 0.9080 | 247,511 | 247,511 | 100.00% | 247,511 | 100.00% | 9/30/2016 ^(a) |
| 2016 | 30,507,934 | 0.8895 | 271,367 | 271,638 | 100.10% | 271,638 | 100.10% | 9/30/2017 ^(a) |
| 2017 | 33,511,681 | 0.8780 | 294,233 | 292,759 | 99.50% | 292,881 | 99.54% | 9/30/2018 ^(b) |

(a) Audited.

(b) Unaudited; reflects tax collections through April 30, 2018. Taxes were due with no late penalty by January 31, 2018.

Principal Taxpayers

| Principal Taxpayers | Type Property | 2018 ^(a) | 2017 | 2016 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| SG Land Holdings LLC | Land & Improvements | \$ 4,580,468 | \$ 5,133,245 | \$ 4,828,281 |
| Meritage Homes of Texas LLC | Land & Improvements | 1,425,000 | - | - |
| Cottonwood Holdings Ltd. | Land & Improvements | 501,592 | 633,522 | 633,522 |
| AMH 2014-2 Borrower LLC | Land & Improvements | 448,327 | 409,597 | 382,526 |
| Grads LLC | Land & Improvements | 1,155,770 | 787,732 | - |
| Individual Homeowners | Land & Improvements | 277,836 | 258,190 | 234,718 |
| Individual Homeowners | Land & Improvements | 276,125 | 253,779 | 233,553 |
| Individual Homeowners | Land & Improvements | 268,646 | 248,758 | 230,750 |
| Individual Homeowners | Land & Improvements | 267,855 | 247,290 | 226,144 |
| Individual Homeowners | Land & Improvements | 262,909 | 245,897 | 223,543 |
| Individual Homeowners | Land & Improvements | - | 239,872 | 218,065 |
| Individual Homeowners | Land & Improvements | - | - | 214,702 |
| Individual Homeowners | Land & Improvements | - | - | - |
| | | \$ 9,464,528 | \$ 8,457,882 | \$ 7,425,804 |
| Percent of Assessed Valuation | | 28.24% | 27.60% | 27.26% |

(a) Unaudited.

Bonds Authorized But Unissued

| Principal Taxpayers | Purpose | Issued | | |
|---------------------|----------------------------------|---------------|--------------|---------------|
| Authorization | | Authorized | to Date | Unissued |
| 5/3/2003 | Water, Sanitary Sewer & Drainage | \$ 29,900,000 | \$ 3,030,000 | \$ 26,870,000 |
| 5/3/2003 | Refunding ^(a) | 44,850,000 | - | 44,850,000 |
| 5/7/2005 | Park and Recreational Facilities | 4,985,000 | - | 4,985,000 |

(a) The proposition authorized Wilbarger No. 1 to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by Wilbarger No. 1 from the sale of refunding bonds after deducting Underwriters' discount is also counted against Wilbarger No. 1's refunding authorization.

Estimated Overlapping Debt Statement

| Taxing Body | Gross Debt | | % of Overlapping Net Debt | Amount of Overlapping Net Debt |
|---|----------------|-----------|---------------------------|--------------------------------|
| | Amount | As of | | |
| Travis County | \$ 705,136,179 | 7/31/2018 | 0.02% | \$ 137,695 |
| Travis County Healthcare District | 9,380,000 | 7/31/2018 | 0.02% | 1,831 |
| Austin Community College District | 297,583,965 | 7/31/2018 | 0.07% | 215,824 |
| Manor Independent School District | 330,459,999 | 7/31/2018 | 0.59% | <u>1,933,918</u> |
| TOTAL ESTIMATED OVERLAPPING NET DEBT | | | | \$ 2,289,268 |
| Wilbarger No. 1 (a) | \$ 4,624,004 | 6/28/2018 | 100.00% | <u>\$ 4,624,004</u> |
| TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT | | | | <u>\$ 6,913,272</u> |
| Ratio of Estimated and Overlapping Debt to Certified 2017 Assessed Valuation | | | | 20.63% |
| Ratio of Estimated and Overlapping Debt to Certified 2018 Assessed Valuation | | | | 18.21% |

(a) Wilbarger No. 1's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2017 Certified Assessed Valuation.

Overlapping Taxes for 2017

| Overlapping Entity | 2017 Tax Rate Per | |
|-----------------------------------|--------------------------|---------------------------------|
| | \$100 Assessed Valuation | Average Tax Bill ^(a) |
| | Travis County | Travis County |
| Travis County | \$0.369000 | \$ 739 |
| Manor Independent School District | \$1.515000 | 3,034 |
| Travis County Healthcare District | \$0.107385 | 215 |
| Austin Community College District | \$0.100800 | 202 |
| Travis County ESD No. 12 | \$0.100000 | 200 |
| Wilbarger No. 1 | <u>\$0.878000</u> | <u>1,759</u> |
| Total | <u>\$3.070185</u> | <u>\$ 6,149</u> |

(a) Based upon the 2017 average single-family home value of \$200,292 as provided by TCAD.

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WILBARGER NO. 2

Tax Information

2017 Certified Assessed Valuation

\$ 7,520,916 ^(a)

2018 Certified Assessed Valuation

7,571,916 ^(a)

| Outstanding Debt | Gross Debt | Average Annual Debt | Maximum Annual Debt |
|--|-------------------|----------------------------|----------------------------|
| Direct Obligations of Wilbarger No. 2 ^(b) | \$ - | \$ - | \$ - |
| Contract Unlimited Tax ^(c) | 301,520 | 27,539 | 27,914 |
| | \$ 301,520 | \$ 27,539 | \$ 27,914 |

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Wilbarger No. 2 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Wilbarger No. 2's pro rata share of the Bonds and Outstanding Contract Bonds based upon the Service Area 2018

Assessed Valuation of \$419,504,547.

Ratio of Gross Debt to 2017 Certified Assessed Valuation

4.01%

Ratio of Gross Debt to 2018 Certified Assessed Valuation

3.98%

Fund Balances as of July 2, 2018 (Unaudited)

| | |
|------------------------|------------|
| General Operating Fund | \$ 177,820 |
| Debt Service Fund | 153 |
| Capital Projects Fund | - |

Tax Information

| | <u>District</u> | <u>Contract</u> | <u>Total</u> |
|---|------------------------|------------------------|---------------------|
| Tax Rate required to pay Average Requirement based on 2017 Certified Assessed Valuation at 95% collection | \$ - | \$ 0.39 | \$ 0.39 /\$100 AV |
| Tax Rate required to pay Maximum Requirement based on 2017 Certified Assessed Valuation at 95% collection | \$ - | \$ 0.39 | \$ 0.39 /\$100 AV |

Tax Rate Distribution

| Tax Rate Distribution | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Debt Service | \$ - | \$ - | \$ - | \$ - | \$ - |
| Maintenance | 0.6000 | 0.6000 | 0.6000 | 0.5700 | 0.5700 |
| Contract | 0.3500 | 0.3500 | 0.3500 | 0.3800 | 0.3800 |
| Total | \$ 0.9500 | \$ 0.9500 | \$ 0.9500 | \$ 0.9500 | \$ 0.9500 |

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Tax Collections

| Tax Year | Assessed Valuation | Tax Rate | Tax Levy | Current Collections | | Total Collections | | Tax Year Ending |
|----------|--------------------|-----------|----------|---------------------|---------|-------------------|---------|--------------------------|
| | | | | Amount | Percent | Amount | Percent | |
| 2003 | \$ 744,654 | \$ 0.9500 | \$ 7,074 | \$ 6,719 | 94.98% | \$ 6,676 | 94.37% | 9/30/2004 ^(a) |
| 2004 | 266,462 | 0.9500 | 2,531 | 2,510 | 99.17% | 2,510 | 99.17% | 9/30/2005 ^(a) |
| 2005 | 1,109,324 | 0.9500 | 10,539 | 10,234 | 97.11% | 10,234 | 97.11% | 9/30/2006 ^(a) |
| 2006 | 2,900,744 | 0.9500 | 27,557 | 27,318 | 99.13% | 27,318 | 99.13% | 9/30/2007 ^(a) |
| 2007 | 3,741,461 | 0.9500 | 35,544 | 35,287 | 99.28% | 35,336 | 99.41% | 9/30/2008 ^(a) |
| 2008 | 3,609,686 | 0.9500 | 34,292 | 26,274 | 76.62% | 33,198 | 96.81% | 9/30/2009 ^(a) |
| 2009 | 3,114,268 | 0.9500 | 29,586 | 29,586 | 100.00% | 29,586 | 100.00% | 9/30/2010 ^(a) |
| 2010 | 3,114,268 | 0.9500 | 29,586 | 29,586 | 100.00% | 29,586 | 100.00% | 9/30/2011 ^(a) |
| 2011 | 3,589,986 | 0.9500 | 34,105 | 34,075 | 99.91% | 34,075 | 99.91% | 9/30/2012 ^(a) |
| 2012 | 3,600,663 | 0.9500 | 34,340 | 34,340 | 100.00% | 34,340 | 100.00% | 9/30/2013 ^(a) |
| 2013 | 3,589,887 | 0.9500 | 34,104 | 34,104 | 100.00% | 34,104 | 100.00% | 9/30/2014 ^(a) |
| 2014 | 3,710,059 | 0.9500 | 35,246 | 35,246 | 100.00% | 35,246 | 100.00% | 9/30/2015 ^(a) |
| 2015 | 6,335,781 | 0.9500 | 60,190 | 60,190 | 100.00% | 60,190 | 100.00% | 9/30/2016 ^(a) |
| 2016 | 7,520,916 | 0.9500 | 71,448 | 71,448 | 100.00% | 71,448 | 100.00% | 9/30/2017 ^(a) |
| 2017 | 7,520,916 | 0.9500 | 71,448 | 71,449 | 100.00% | 71,449 | 100.00% | 9/30/2018 ^(b) |

(a) Audited.

(b) Unaudited; reflects tax collections through March 31, 2018. Taxes were due with no late penalty by January 31, 2018.

Principal Taxpayers

| Principal Taxpayers | Type Property | 2018 ^(a) | 2017 | 2016 |
|--------------------------------------|---------------|---------------------|---------------------|---------------------|
| SG Land Holdings LLC | N/A | \$ 6,892,573 | \$ 6,841,573 | \$ 6,841,573 |
| Cottonwood Holdings Ltd. | N/A | 659,343 | 659,343 | 659,343 |
| 2010 Shadowglen LLC | N/A | 20,000 | 20,000 | 20,000 |
| | | \$ 7,571,916 | \$ 7,520,916 | \$ 7,520,916 |
| Percent of Assessed Valuation | | 100.00% | 100.00% | 100.00% |

(a) Unaudited.

Bonds Authorized But Unissued

| Date of Authorization | Purpose | Authorized | Issued to Date | Unissued |
|-----------------------|----------------------------------|---------------|----------------|---------------|
| 5/3/2003 | Water, Sanitary Sewer & Drainage | \$ 39,340,000 | \$ - | \$ 39,340,000 |
| 5/3/2003 | Refunding ^(a) | 59,010,000 | - | 59,010,000 |
| 5/7/2005 | Park and Recreational Facilities | 3,995,000 | - | 3,995,000 |

(a) The proposition authorized Wilbarger No. 2 to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by Wilbarger No. 2 from the sale of refunding bonds after deducting Underwriters' discount is also counted against Wilbarger No. 2's refunding authorization.

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Estimated Overlapping Debt Statement

| Taxing Body | Gross Debt | | % of Overlapping Net Debt | Amount of Overlapping Net Debt |
|---|----------------|-----------|---------------------------|--------------------------------|
| | Amount | As of | | |
| Travis County | \$ 705,136,179 | 7/31/2018 | 0.0044% | \$ 30,902 |
| Travis County Healthcare District | 9,380,000 | 7/31/2018 | 0.0044% | 411 |
| Austin Community College District | 297,583,965 | 7/31/2018 | 0.0163% | 48,437 |
| Manor Independent School District | 330,459,999 | 7/31/2018 | 0.1313% | <u>434,023</u> |
| TOTAL ESTIMATED OVERLAPPING NET DEBT | | | | \$ 513,773 |
| Wilbarger No. 2 (a) | \$ 357,737 | 9/4/2018 | 100.00% | <u>\$ 357,737</u> |
| TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT | | | | <u>\$ 871,510</u> |
| Ratio of Estimated and Overlapping Debt to Certified 2017 Assessed Valuation | | | | 11.59% |
| Ratio of Estimated and Overlapping Debt to Certified 2018 Assessed Valuation | | | | 11.51% |

(a) Wilbarger No. 2's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2017 Certified Assessed Valuation.

Overlapping Taxes for 2017

| Overlapping Entity | 2017 Tax Rate Per \$100 Assessed Valuation |
|-----------------------------------|---|
| | Travis County |
| Travis County | \$0.369000 |
| Manor Independent School District | \$1.515000 |
| Travis County Healthcare District | \$0.107385 |
| Austin Community College District | \$0.100800 |
| Travis County ESD No. 12 | \$0.100000 |
| Wilbarger No. 2 | <u>\$0.950000</u> |
| Total | <u>\$3.142185</u> |

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APPENDIX B
Audited Financial Statement

The information contained in this appendix has been excerpted from the audited financial statements of Wilbarger Creek Municipal Utility District No. 2 – Master District for the fiscal year ended September 30, 2017. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
YEAR ENDED SEPTEMBER 30, 2017**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, _____ of the
(Name of Duly Authorized District Representative)

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **5th day of February, 2018**, its annual audit report for the fiscal period ended **September 30, 2017** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Ave., Suite 1300
Austin, Texas 78701
(Address of District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____, _____ By: _____
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(Signature of Notary)

My Commission Expires On: _____,
Notary Public in the State of Texas

Form TCEQ-0723 (Revised 10/2003)

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Wilbarger Creek Municipal Utility District No. 2
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Wilbarger Creek Municipal Utility District No. 2 (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information 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 Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Austin, Texas

February 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Wilbarger Creek Municipal Utility District No. 2 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2017. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the combined assigned and unassigned fund balance was \$212,707, a decrease of \$29,544 from the previous fiscal year. General fund revenues increased from \$38,279 in the previous fiscal year to \$45,132 in the current fiscal year.
- *Special Revenue Fund:* Fund balance restricted for Master District expenditures increased from \$902,768 in the previous fiscal year to \$1,034,437 in the current fiscal year. The Master District incurred \$1,647,413 in expenditures during the current fiscal year. Other financing sources or uses decreased from \$1,368,041 in the previous fiscal year to \$1,349,509.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$451,174 in the previous fiscal year to \$627,191 in the current fiscal year. Debt service fund other financing sources decreased from \$1,060,284 in the previous fiscal year to \$1,004,059 in the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for authorized construction increased from \$-0- in the previous fiscal year to \$86,898 in the current fiscal year. The District issued \$4,160,000 of Unlimited Contract Tax Bonds and used the proceeds to purchase \$3,675,572 of infrastructure and capacity and pay \$390,824 of bond issuance expenditures.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$221,759. Net position increased from a deficit balance of \$2,420,146 to a deficit balance of \$2,198,387.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by order of the Texas Natural Resource Conservation Commission, a predecessor of the Texas Commission on Environmental Quality, on May 30, 2002 in response to an application filed on February 12, 2001. The creation of the District was confirmed pursuant to an election held within the District on May 3, 2003. The District was created to provide water, wastewater, and storm drainage facilities to serve approximately 165 acres located within its boundaries and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Since creation, the District's Board of Directors has approved one annexation of land into the District resulting in a current total of approximately 392 acres. The District is located entirely within the extraterritorial jurisdiction of the City of Manor and entirely within Travis County, Texas. The District is one of four political subdivisions, including Cottonwood Creek Municipal Utility District No. 1, Travis County Municipal Utility District No. 2, and Wilbarger Creek Municipal Utility District No. 1 (the "Participant Districts"), created to provide water, wastewater, and storm drainage to approximately 1,514 acres located within Travis County, Texas. Under this arrangement, the District serves as the "Master District" for the purpose of coordinating the design, construction, ownership, operation, and maintenance of the water distribution and treatment, wastewater collection and treatment, drainage, and water quality facilities to serve the Participant Districts.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management’s Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

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 “Governmental Funds Total” 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 *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled “Governmental Funds Total”) that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. 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 Statement of Revenues, Expenditures and Changes in Fund Balances* includes a column (titled “Governmental Funds Total”) 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 *Notes to the 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 Statement of Revenues, Expenditures, and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District’s adopted budget and its actual results.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

| | Governmental Activities | | Change Increase (Decrease) |
|----------------------------------|----------------------------|----------------|----------------------------------|
| | 2017 | 2016 | |
| Current and other assets | \$ 2,268,864 | \$ 1,877,352 | \$ 391,512 |
| Capital and non-current assets | 9,274,442 | 9,225,322 | 49,120 |
| Total Assets | 11,543,306 | 11,102,674 | 440,632 |
| Deferred Outflows of Resources | 98,423 | 105,624 | (7,201) |
| Current Liabilities | 860,788 | 895,080 | (34,292) |
| Long-term Liabilities | 12,979,328 | 12,733,364 | 245,964 |
| Total Liabilities | 13,840,116 | 13,628,444 | 211,672 |
| Net Investment in Capital Assets | (2,865,711) | (2,813,564) | (52,147) |
| Restricted | 1,628,471 | 1,325,021 | 303,450 |
| Unrestricted | (961,147) | (931,603) | (29,544) |
| Total Net Position | \$ (2,198,387) | \$ (2,420,146) | \$ 221,759 |

The District's net position increased from a deficit balance of \$2,420,146 in the previous fiscal year to a deficit balance of \$2,198,387 in the current fiscal year. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's restricted net position includes \$1,034,437 for contract tax related expenditures.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

Revenues and Expenses:

| | <u>Summary Statement of Activities</u> | | |
|--------------------------------|--|-----------------------|----------------------------------|
| | Governmental Activities | | Change Increase (Decrease) |
| | 2017 | 2016 | |
| Property Tax | \$ 71,448 | \$ 60,294 | \$ 11,154 |
| Capacity charges and other | 411,904 | 367,410 | 44,494 |
| Total Revenues | 483,352 | 427,704 | 55,648 |
| Purchased Water | 1,010,337 | 979,860 | 30,477 |
| Contracted Services | 255,915 | 241,270 | 14,645 |
| Professional Fees | 214,540 | 199,478 | 15,062 |
| Other | 213,462 | 179,179 | 34,283 |
| Debt Service | 708,087 | 602,990 | 105,097 |
| Depreciation/amortization | 328,666 | 323,678 | 4,988 |
| Total Expenses | 2,731,007 | 2,526,455 | 204,552 |
| Excess/(Deficiency) | (2,247,655) | (2,098,751) | (148,904) |
| Other Financing Sources | 2,469,414 | 2,220,677 | 248,737 |
| Change in Net Position | 221,759 | 121,926 | 99,833 |
| Beginning Net Position | (2,420,146) | (2,542,072) | 121,926 |
| Ending Net Position | \$ (2,198,387) | \$ (2,420,146) | \$ 221,759 |

Revenues were \$483,352 and total other financing sources were \$2,469,414 for the fiscal year ended September 30, 2017 while expenses were \$2,731,007. Net position increased \$221,759.

Property tax revenues in the current fiscal year totaled \$71,448. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2016 tax year (September 30, 2017 fiscal year) were based upon a current assessed value of \$7,520,916 and a tax rate of \$0.95 per \$100 of assessed valuation. Property taxes levied for the 2015 tax year (September 30, 2016 fiscal year) were based upon an adjusted assessed value of \$6,335,781 and a tax rate of \$0.95 per \$100 of assessed valuation.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

| | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,461,785 | \$ 1,343,298 | \$ 1,037,438 |
| Investments | 536,403 | 245,000 | 245,000 |
| Receivables | 275,790 | 292,362 | 340,505 |
| Total Assets | <u>\$ 2,273,978</u> | <u>\$ 1,880,660</u> | <u>\$ 1,622,943</u> |
| Accounts payable | 305,538 | 279,105 | 231,116 |
| Refundable deposits | 1,718 | 1,718 | 1,718 |
| Interfund payables | 5,114 | 3,308 | 11,505 |
| Intergovernmental payable | 375 | 336 | - |
| Total Liabilities | <u>312,745</u> | <u>284,467</u> | <u>244,339</u> |
| Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>335</u> |
| Nonspendable | 780 | - | - |
| Restricted | 1,747,746 | 1,353,942 | 1,171,080 |
| Assigned | 93,058 | 56,440 | - |
| Unassigned | 119,649 | 185,811 | 207,189 |
| Total Fund Balance | <u>1,961,233</u> | <u>1,596,193</u> | <u>1,378,269</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,273,978</u> | <u>\$ 1,880,660</u> | <u>\$ 1,622,943</u> |

For the fiscal year ended September 30, 2017, the District's governmental funds reflect a combined fund balance of \$1,961,233.

The General Fund fund balance reflects a decrease of \$29,544 in fiscal year 2017.

The Special Revenue Fund reflects an increase of \$131,669 in fiscal year 2017. The Special Revenue Fund received \$1,360,786 in contributions from Participant Districts.

The Debt Service Fund reflects an increase of \$176,017 in fiscal year 2017. The Debt Service Fund remitted bond principal of \$520,000 and bond interest of \$309,927. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Projects Fund reflects an increase of \$86,898 in fiscal year 2017. The District issued \$4,160,000 of Unlimited Contract Tax Bonds and used the proceeds to purchase \$3,675,572 of infrastructure and capacity and pay \$390,824 of bond issuance expenditures.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating expenses. On September 6, 2016, the Board of Directors approved budgets for the District as a Participant District and the Master District. The Participant District budget included revenues of \$44,674 as compared to expenditures and other financing uses of \$101,114. When comparing actual to budget, the Participant District had a positive variance of \$26,896.

The Master District budget included revenues and other financing sources of \$2,314,321 as compared to expenditures of \$2,182,650. When comparing actual to budget, the Master District had a negative variance of \$2. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had invested \$9,274,442 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

| | 9/30/2017 | 9/30/2016 |
|---------------------------------------|---------------------|---------------------|
| Capital Assets: | | |
| Land | \$ 185,605 | \$ 185,605 |
| Wastewater Treatment Plant | 4,946,520 | 4,931,989 |
| Water/Wastewater/Drainage | 2,442,189 | 2,079,873 |
| Capacity in Regional Water Facilities | 4,942,112 | 4,942,112 |
| Less: Accumulated Depreciation | (3,241,984) | (2,914,257) |
| Total Net Capital Assets | <u>\$ 9,274,442</u> | <u>\$ 9,225,322</u> |

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

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

| | Bonds Payable |
|-------------|----------------------|
| Series 2012 | \$ 3,405,000 |
| Series 2016 | 4,680,000 |
| Series 2017 | 4,160,000 |
| Total | <u>\$ 12,245,000</u> |

The District owes approximately \$12 million to bondholders. During the year, the District made principal payments of \$520,000. The ratio of the District's long term debt to the total 2017 taxable assessed valuation of all of the Participant District's (\$345,166,894) is 3.5%. The Participant District's estimated population as of December 31, 2016 is 4,176. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amount of assessed value of property within the District for the 2017 tax year (September 30, 2018 fiscal year) is approximately \$7.5 million and the tax rate levied was \$0.95 per \$100 of assessed valuation. Approximately 63% of the property tax will fund general operating expenses and approximately 37% will fund contracted Master District activity.

The Participant District's adopted budget for fiscal year 2018 projects a fund balance decrease of \$93,058 and the Master District's adopted budget for fiscal year 2018 projects a fund balance increase of \$347,471.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

FINANCIAL STATEMENTS

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017**

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Governmental Funds Total | Adjustments Note 2 | Government - wide Statement of Net Position |
|--|-------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|--|
| ASSETS | | | | | | | |
| Cash and cash equivalents - | | | | | | | |
| Cash | \$ 220,966 | \$ 281,378 | \$ - | \$ - | \$ 502,344 | \$ - | \$ 502,344 |
| Cash equivalents | - | 782,173 | 90,370 | 86,898 | 959,441 | - | 959,441 |
| Investments | - | - | 536,403 | - | 536,403 | - | 536,403 |
| Receivables- | | | | | | | |
| Interfund | 33 | 5,081 | - | - | 5,114 | (5,114) | - |
| Intergovernmental | - | 265,264 | 1,226 | - | 266,490 | - | 266,490 |
| Other | - | 3,406 | - | - | 3,406 | - | 3,406 |
| Prepaid Expenditures | - | 780 | - | - | 780 | - | 780 |
| Capital assets, net of accumulated depreciation - | | | | | | | |
| Land | - | - | - | - | - | 185,605 | 185,605 |
| Wastewater Treatment Plant | - | - | - | - | - | 3,558,582 | 3,558,582 |
| Water/Wastewater/Drainage System | - | - | - | - | - | 1,862,258 | 1,862,258 |
| Capacity in Regional Water Facilities | - | - | - | - | - | 3,667,997 | 3,667,997 |
| TOTAL ASSETS | 220,999 | 1,338,082 | 627,999 | 86,898 | 2,273,978 | 9,269,328 | 11,543,306 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred charges on bond refunding | - | - | - | - | - | 98,423 | 98,423 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | - | 98,423 | 98,423 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 220,999 | \$ 1,338,082 | \$ 627,999 | \$ 86,898 | \$ 2,273,978 | \$ 9,367,751 | \$ 11,641,729 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 3,644 | \$ 301,894 | \$ - | \$ - | \$ 305,538 | - | 305,538 |
| Accrued interest payable | - | - | - | - | - | 33,157 | 33,157 |
| Refundable deposits | - | 1,718 | - | - | 1,718 | - | 1,718 |
| Due to developer | - | - | - | - | - | 1,173,854 | 1,173,854 |
| Interfund payables | 4,648 | 33 | 433 | - | 5,114 | (5,114) | - |
| Intergovernmental payables | - | - | 375 | - | 375 | - | 375 |
| Bonds payable - | | | | | | | |
| Due within one year | - | - | - | - | - | 520,000 | 520,000 |
| Due after one year | - | - | - | - | - | 11,805,474 | 11,805,474 |
| TOTAL LIABILITIES | 8,292 | 303,645 | 808 | - | 312,745 | 13,527,371 | 13,840,116 |
| FUND BALANCES / NET POSITION | | | | | | | |
| Fund balances: | | | | | | | |
| Nonspendable | - | 780 | - | - | 780 | (780) | - |
| Restricted for contracted Master District expenditures | - | 1,033,657 | - | - | 1,033,657 | (1,033,657) | - |
| Restricted for debt service | - | - | 627,191 | - | 627,191 | (627,191) | - |
| Restricted for capital projects | - | - | - | 86,898 | 86,898 | (86,898) | - |
| Assigned for fiscal year 2018 budget deficit | 93,058 | - | - | - | 93,058 | (93,058) | - |
| Unassigned | 119,649 | - | - | - | 119,649 | (119,649) | - |
| TOTAL FUND BALANCES | 212,707 | 1,034,437 | 627,191 | 86,898 | 1,961,233 | (1,961,233) | - |
| TOTAL LIABILITIES AND AND FUND BALANCES | \$ 220,999 | \$ 1,338,082 | \$ 627,999 | \$ 86,898 | \$ 2,273,978 | | |
| NET POSITION: | | | | | | | |
| Net investment in capital assets | | | | | | (2,865,711) | (2,865,711) |
| Restricted for authorized contract tax expenditures | | | | | | 1,034,437 | 1,034,437 |
| Restricted for debt service | | | | | | 594,034 | 594,034 |
| Unrestricted | | | | | | (961,147) | (961,147) |
| TOTAL NET POSITION | | | | | | \$ (2,198,387) | \$ (2,198,387) |

The accompanying notes are an integral part of this statement.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2017**

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Governmental Funds Total | Adjustments Note 2 | Government - wide Statement of Activities |
|---|-------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|-----------------------|--|
| REVENUES: | | | | | | | |
| Property tax revenues, including penalties | \$ 45,125 | \$ 26,323 | \$ - | \$ - | \$ 71,448 | \$ - | \$ 71,448 |
| Capacity charges | - | 399,000 | - | - | 399,000 | - | 399,000 |
| Interest | 7 | 4,250 | 5,985 | 2,662 | 12,904 | - | 12,904 |
| TOTAL REVENUES | <u>45,132</u> | <u>429,573</u> | <u>5,985</u> | <u>2,662</u> | <u>483,352</u> | <u>-</u> | <u>483,352</u> |
| EXPENDITURES / EXPENSES: | | | | | | | |
| Current: | | | | | | | |
| Contracted Master District services | - | 14,304 | - | - | 14,304 | - | 14,304 |
| Water purchases | - | 1,010,337 | - | - | 1,010,337 | - | 1,010,337 |
| Repairs and maintenance | 14,149 | 135,605 | - | - | 149,754 | - | 149,754 |
| Operations/management | - | 106,161 | - | - | 106,161 | - | 106,161 |
| Utilities and telephone | - | 56,100 | - | - | 56,100 | - | 56,100 |
| Sludge hauling | - | 49,531 | - | - | 49,531 | - | 49,531 |
| Chemicals and lab fees | - | 57,960 | - | - | 57,960 | - | 57,960 |
| Permit fees | - | 4,792 | - | - | 4,792 | - | 4,792 |
| Easement and landscape maintenance | - | 8,700 | - | - | 8,700 | - | 8,700 |
| Director fees | - | 7,912 | - | - | 7,912 | - | 7,912 |
| Legal fees | 14,987 | 65,535 | - | - | 80,522 | - | 80,522 |
| Engineering fees | 2,700 | 62,918 | - | - | 65,618 | - | 65,618 |
| Accounting fees | 18,400 | 36,000 | - | - | 54,400 | - | 54,400 |
| Audit fees | 8,750 | 5,250 | - | - | 14,000 | - | 14,000 |
| Tax appraisal/collection fees | 230 | 134 | - | - | 364 | - | 364 |
| Other consulting fees | 1,156 | 674 | - | - | 1,830 | - | 1,830 |
| Insurance | - | 8,025 | - | - | 8,025 | - | 8,025 |
| Miscellaneous | - | 2,944 | 1,000 | - | 3,944 | - | 3,944 |
| Debt Service - | - | - | - | - | - | - | - |
| Bond principal | - | - | 520,000 | - | 520,000 | (520,000) | - |
| Bond interest | - | - | 309,927 | - | 309,927 | 4,236 | 314,163 |
| Bond issuance fees | - | - | - | 390,824 | 390,824 | - | 390,824 |
| Fiscal agent fees and other | - | - | 3,100 | - | 3,100 | - | 3,100 |
| Capital outlay | - | 14,531 | - | 3,675,572 | 3,690,103 | (3,690,103) | - |
| Depreciation/amortization | - | - | - | - | - | 328,666 | 328,666 |
| TOTAL EXPENDITURES / EXPENSES | <u>60,372</u> | <u>1,647,413</u> | <u>834,027</u> | <u>4,066,396</u> | <u>6,608,208</u> | <u>(3,877,201)</u> | <u>2,731,007</u> |
| Excess (deficiency) of revenues over expenditures/expenses | <u>(15,240)</u> | <u>(1,217,840)</u> | <u>(828,042)</u> | <u>(4,063,734)</u> | <u>(6,124,856)</u> | <u>3,877,201</u> | <u>(2,247,655)</u> |
| OTHER FINANCING SOURCES (USES) - | | | | | | | |
| Bond proceeds | - | - | - | 4,160,000 | 4,160,000 | (4,160,000) | - |
| Bond discount | - | - | - | (9,368) | (9,368) | 9,368 | - |
| Operating transfer | (14,304) | (11,277) | 25,581 | - | - | - | - |
| Developer contribution | - | - | - | - | - | 130,150 | 130,150 |
| Intergovernmental contributions | - | 1,360,786 | 978,478 | - | 2,339,264 | - | 2,339,264 |
| TOTAL OTHER FINANCING SOURCES (USES) - | <u>(14,304)</u> | <u>1,349,509</u> | <u>1,004,059</u> | <u>4,150,632</u> | <u>6,489,896</u> | <u>(4,020,482)</u> | <u>2,469,414</u> |
| NET CHANGE IN FUND BALANCES | (29,544) | 131,669 | 176,017 | 86,898 | 365,040 | (365,040) | - |
| CHANGE IN NET POSITION | | | | | | 221,759 | 221,759 |
| FUND BALANCES/ NET POSITION: | | | | | | | |
| Beginning of the year | 242,251 | 902,768 | 451,174 | - | 1,596,193 | (4,016,339) | (2,420,146) |
| End of the year | <u>\$ 212,707</u> | <u>\$ 1,034,437</u> | <u>\$ 627,191</u> | <u>\$ 86,898</u> | <u>\$ 1,961,233</u> | <u>\$ (4,159,620)</u> | <u>\$ (2,198,387)</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wilbarger Creek Municipal Utility District No. 2 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created effective May 30, 2002, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the "Commission") pursuant to Article 16, Section 59 of the Texas Constitution. The District operates under Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB standards, 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 as defined in GASB standards which are included in the District's reporting entity. The Board held its first meeting on November 26, 2002, and the first bonds were sold July 18, 2006.

Basis of Presentation - Government-wide and Fund Financial Statements – These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

The financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-wide financial statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.
- **Fund Financial Statements:** Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund -** The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Special Revenue Fund -** The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The primary sources of revenues are water, wastewater and water quality service fees to end-users and contributions from the Participant Districts.
- **Debt Service Fund -** The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.
- **Capital Projects Fund -** The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available).

“Measurable” means that the amount of the transaction can be determined and “available” means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting (continued)

The District reports deferred inflows of resources on its balance sheet. Deferred inflows arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred inflows is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - A budget was adopted on September 6, 2016, for the General Fund on a basis consistent with generally accepted accounting principles. The Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year.

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Treasurer’s Investment Pool are recorded at amortized cost.

Capital Assets - Capital assets, which include Land and Water, Wastewater and Drainage Systems are reported in the government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|----------------------------------|---------------------|
| Water/Wastewater/Drainage System | 10 - 50 |

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt - Unlimited tax bonds, which have been or will be issued to fund capital projects, are to be repaid from tax revenues of the District and the Participant Districts.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Fund Balance – Fund balances in governmental funds are classified using the following hierarchy:

- *Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- *Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- *Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has assigned \$93,058 of the General Fund fund balance to cover a projected budget deficit for the year ending September 30, 2018.
- *Unassigned*: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

| | | |
|--|--------------------|-----------------------|
| Fund Balances - Total Governmental Funds | | \$ 1,961,233 |
| Deferred charges are not financial resources and therefore are not reported in governmental funds- | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds- | | |
| Capital assets | \$ 12,516,426 | |
| Less: Accumulated depreciation | <u>(3,241,984)</u> | 9,274,442 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | |
| Bonds payable, net | (12,325,474) | |
| Due to developer | (1,173,854) | |
| Deferred charge on refunding, net | 98,423 | |
| Accrued interest | <u>(33,157)</u> | <u>(13,434,062)</u> |
| Net Position - Governmental Activities | | <u>\$ (2,198,387)</u> |

Adjustments to convert the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

| | | |
|--|--------------------|-------------------|
| Net Change in Fund Balances - Governmental Funds | | \$ 365,040 |
| Amounts reported for governmental activities in the Statement of activities are different because: | | |
| Governmental funds report: | | |
| Bond principal payments as expenditures | \$ 520,000 | |
| Capital outlay in year paid | 3,690,103 | |
| Interest expenditures in year paid | (4,236) | |
| Developer contribution when received | 130,150 | |
| Refunding activity as other financing source | <u>(4,150,632)</u> | 185,385 |
| Governmental funds do not report: | | |
| Depreciation/amortization | | <u>(328,666)</u> |
| Change in Net Position - Governmental Activities | | <u>\$ 221,759</u> |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2017, the carrying amount of the District's deposits was \$502,344 and the bank balance was \$502,494. The bank balance was fully covered by federal depository insurance and other pledged collateral.

Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. CASH AND INVESTMENTS (continued) –

At September 30, 2017, the District held the following investments:

| Investment | Fair Value at 9/30/2017 | Governmental Fund | | | | Investment Rating | |
|--------------|----------------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|
| | | General | Special Revenue | Debt Service | Capital Projects | Rating | Rating Agency |
| | | Unrestricted | Restricted (1) | Restricted (2) | Restricted (3) | | |
| Texpool | \$ 959,441 | \$ - | \$ 782,173 | \$ 90,370 | \$ 86,898 | AAAm | Standard & Poors |
| Money Market | 536,403 | - | - | 536,403 | - | Various | Various |
| | <u>\$ 1,495,844</u> | <u>\$ -</u> | <u>\$ 782,173</u> | <u>\$ 626,773</u> | <u>\$ 86,898</u> | | |

(1) Restricted for Payment of contractual Master District obligations.

(2) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(3) Restricted for Purchase of Capital Assets.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2017, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2017, the District's bank deposits were fully covered by FDIC coverage and other pledged collateral.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board set tax rates for the 2016 tax year on September 6, 2016.

The property tax rates, established in accordance with State law, were based on 100% of the net assessed valuation of real property within the District on the 2016 tax roll. The tax rate, based on total taxable assessed valuation of \$7,520,916 was \$0.95 on each \$100 valuation and was allocated as follows:

| | <u>Tax Rate</u> |
|----------------------|------------------------|
| General Fund | \$ 0.6000 |
| Special Revenue Fund | 0.3500 |
| | <u>\$ 0.9500</u> |

The maximum allowable maintenance tax of \$1.50 was established by the voters on May 3, 2003.

Property taxes receivable were fully collected at September 30, 2017.

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

5. CONTRACT TAXES

At an election held May 3, 2003, voters authorized a contract tax on all property within the District subject to taxation. During the year ended September 30, 2017, the District levied an ad valorem contract tax at the rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$26,323 on taxable valuation of \$7,520,916 for the 2016 tax year. This contract tax was used to pay for the District's pro rata share of operations and maintenance expenses and reserve requirements on Master District Facilities as described in Note 9.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2017, is as follows:

| | Interfund | |
|--|--------------------|-----------------|
| | Receivables | Payables |
| General Fund - | | |
| Special Revenue Fund (Master District) | \$ - | \$ 4,648 |
| Special Revenue Fund (Participant District) | 33 | - |
| Special Revenue Fund (Master District) - | | |
| General Fund | 4,648 | - |
| Debt Service Fund | 400 | - |
| Special Revenue Fund (Participant District) - | | |
| General Fund | - | 33 |
| Debt Service Fund | 33 | - |
| Debt Service Fund - | | |
| Special Revenue Fund (Master District) | - | 400 |
| Special Revenue Fund (Participant District) | - | 33 |
| | <u>\$ 5,114</u> | <u>\$ 5,114</u> |

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

| | Balance 10/1/2016 | Additions | Deletions | Balance 9/30/2017 |
|--|------------------------------|------------------|------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 185,605 | \$ - | \$ - | \$ 185,605 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being depreciated | <u>185,605</u> | <u>-</u> | <u>-</u> | <u>185,605</u> |
| Capital assets being depreciated: | | | | |
| Wastewater Treatment Plant | 4,931,989 | 14,531 | - | 4,946,520 |
| Water/Wastewater/Drainage System | 2,079,873 | 362,316 | - | 2,442,189 |
| Capacity in Regional Water Facilities | 4,942,112 | - | - | 4,942,112 |
| Total capital assets being depreciated | <u>11,953,974</u> | <u>376,847</u> | <u>-</u> | <u>12,330,821</u> |
| Less accumulated depreciation for: | | | | |
| Wastewater Treatment Plant | (1,229,571) | (158,367) | - | (1,387,938) |
| Water/Wastewater/Drainage System | (534,124) | (45,807) | - | (579,931) |
| Capacity in Regional Water Facilities | (1,150,562) | (123,553) | - | (1,274,115) |
| Total accumulated depreciation | <u>(2,914,257)</u> | <u>(327,727)</u> | <u>-</u> | <u>(3,241,984)</u> |
| Total capital assets being depreciated, net of accumulated depreciation | <u>9,039,717</u> | <u>49,120</u> | <u>-</u> | <u>9,088,837</u> |
| Total capital assets, net | <u>\$ 9,225,322</u> | <u>\$ 49,120</u> | <u>\$ -</u> | <u>\$ 9,274,442</u> |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2017:

| | Combination Unlimited Tax Bonds |
|---|--|
| Bonds payable at October 1, 2016 | \$ 8,605,000 |
| Bonds issued | 4,160,000 |
| Bonds retired | <u>(520,000)</u> |
| Subtotal | 12,245,000 |
| Less: Bond Discounts, net of amortization | (19,889) |
| Add: Bond Premiums, net of amortization | 100,363 |
| Bonds payable at September 30, 2017 | <u><u>\$ 12,325,474</u></u> |

Bonds payable at September 30, 2017, were comprised of the following individual issues:

Unlimited Contract Tax Bonds:

\$4,160,000 - 2017 Unlimited Contract Tax Bonds paid serially through the year 2035 at interest rates of 3.25% to 5.00%. Bonds maturing on or after September 1, 2025 are redeemable on September 1, 2024 or on any date thereafter. Bonds maturing on September 1, 2030, and September 1, 2034, are subject to mandatory sinking fund requirements.

Unlimited Contract Tax Refunding Bonds:

\$3,405,000 - 2012 Unlimited Contract Tax Refunding Bonds paid serially through the year 2029 at interest rates of 2.75% to 4.125%. Bonds maturing on or after September 1, 2020 are redeemable on September 1, 2019 or on any date thereafter. Bonds maturing on September 1, 2027, and September 1, 2029, are subject to mandatory sinking fund requirements.

\$4,680,000 - 2016 Unlimited Contract Tax Refunding Bonds paid serially through the year 2031 at interest rates of 2.25% to 3.00%. Bonds maturing on or after September 1, 2023 are redeemable on September 1, 2022 or on any date thereafter. Bonds maturing on September 1, 2031, are subject to mandatory sinking fund requirements.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. BONDED DEBT (continued) -

The annual requirement to amortize all bonded debt at September 30, 2017, including interest, is as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 520,000 | \$ 397,886 | \$ 917,886 |
| 2019 | 510,000 | 384,050 | 894,050 |
| 2020 | 555,000 | 369,486 | 924,486 |
| 2021 | 550,000 | 352,732 | 902,732 |
| 2022 | 585,000 | 337,911 | 922,911 |
| 2023 - 2027 | 3,140,000 | 1,425,459 | 4,565,459 |
| 2028 - 2032 | 3,755,000 | 861,024 | 4,616,024 |
| 2033 - 2035 | 2,630,000 | 186,375 | 2,816,375 |
| | <u>\$ 12,245,000</u> | <u>\$ 4,314,923</u> | <u>\$ 16,559,923</u> |

\$627,191 is available in the Debt Service Fund to service the bonded debt. \$39,340,000 of unlimited tax bonds for water, sewer and drainage purposes and \$3,995,000 of unlimited tax bonds for park and recreational facilities remains authorized but not issued at September 30, 2017.

9. FINANCING AND OPERATION OF REGIONAL FACILITIES

On March 6, 2003, the District entered into an Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities; Regional Water Supply and Delivery Facilities and Regional Drainage, Including Water Quality Facilities (the "Master District Contract"). In addition to the District, parties to the Master District Contract include Travis County Municipal Utility District No. 2 ("Travis County MUD No. 2"), and Cottonwood Creek Municipal Utility District No. 1 ("Cottonwood Creek MUD No. 1"), and Wilbarger Creek Municipal Utility District No. 1 ("Wilbarger Creek MUD No. 1"), all together known as the "Participant Districts". This Master District Contract amended and restated a prior contract entered into between the Participant Districts that was not submitted to the voters for approval.

General

The District along with the other three Participant Districts were created as conservation and reclamation districts for the purpose of providing water, wastewater and drainage facilities and services to the acreage within their respective boundaries. Pursuant to an election held within the boundaries of each Participant District, each Participant District approved the Master District Contract, which designates the District as the "Master District" for purposes of coordinating the design, construction, ownership, operation, and maintenance of certain regional water, wastewater, and storm drainage, including water quality, facilities to serve development within the Participants Districts. The Master District Contract also authorizes the Master District to issue contract tax bonds to acquire, purchase, construct and maintain Master District facilities to serve the Participants Districts. The Master District will own and operate the Master District facilities.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) -

Each of the Participant Districts has executed the Master District Contract with the Master District and obtained the approval of the Master District Contract from the voters of each Participant District at elections held separately within the boundaries of each Participant District. The Master District Contract requires all Participant Districts to pay a pro rata share of debt service on the Master District bonds, based upon each Participant District's assessed valuation as a percentage of the total certified assessed valuation in the Master District's service area. Each Participant District is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount which includes the charges and costs of paying agents, registrars, and trustees utilized in connection with the Master District bonds, the principal, interest and redemption requirements of the Master District bonds and all amounts required to establish and maintain funds established under any related bond resolution or trust indenture. Each Participant District's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a contract tax or other available means of payment is the sole responsibility of each Participant District for the purpose of paying its pro rata share of debt service on the Master District's bonds. The Master District Contract also provides for operation and maintenance costs for facilities constructed or acquired pursuant to the Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

Master District Service Area

The Chart below more completely describes the Participant Districts including each Participant District's acreage and projected ultimate living unit equivalents ("LUEs") based on current land use plans.

| Participant | Acreage ^(a) | Existing LUEs ^(b) | Projected Ultimate LUEs ^(c) |
|----------------------------|------------------------|------------------------------|--|
| Travis County MUD No. 2 | 404.10 | 809 | 1,247 |
| Cottonwood Creek MUD No. 1 | 417.70 | 677 | 2,216 |
| Wilbarger Creek MUD No. 1 | 300.40 | 137 | 1,555 |
| The District | <u>392.10</u> | <u>-</u> | <u>1,449</u> |
| Sub-Total | 1,514.30 | 1,623 | 6,467 |
| Park & Irrigation | <u>-</u> | <u>-</u> | <u>100</u> |
| Total | <u>1,514.30</u> | <u>1,623</u> | <u>6,567</u> |

(a) Gross acreage includes all easements, rights-of-way and any other undevelopable acreage.

(b) As of September 30, 2017.

(c) Provided by the Developers and represents the existing land use plan. The District makes no representation that property within the Master District or within the Participant Districts will develop as shown above.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) -

The Participant Districts and Metro H2O, Ltd. ("Metro") originally entered into (i) an "Amended and Restated Regional Sewage Disposal Capacity and Services Agreement for a Portion of Northeastern Travis County, Texas" (the "Wastewater Treatment Contract") whereby Metro agreed to construct certain wastewater treatment facilities sufficient to serve up to 6,010 LUEs of wastewater from the Participant Districts; and (ii) an "Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" (the "Water Supply Contract") whereby Metro agreed to provide up to 6,010 LUEs of potable water supply capacity to the Participant Districts. Pursuant to an "Assignment and Assumption of Rights and Obligations under Regional Water and Sewer Contracts; Operations Agreement; and Capacity Reservation Agreement" dated effective October 1, 2005 (the "Capacity Assignment"), the Participant Districts assigned all of their rights and obligations with respect to wastewater treatment capacity under the Wastewater Treatment Contract and water supply capacity under the Water Supply Contract to the Master District, which, in turn, reserved wastewater treatment capacity and water supply capacity in favor of the Participants at full build-out in the amounts set forth in the Wastewater Treatment Contract and will allocate such capacity on an interim basis fairly and equitably among the Participant Districts.

Under the Wastewater Treatment Contract, Metro completed construction of a 500,000 gallons per day ("gpd") wastewater treatment plant and lift station (the "Wastewater Treatment Plant"). The Master District subsequently negotiated to purchase the Wastewater Treatment Plant from Metro pursuant to an Asset Purchase Agreement dated November 20, 2008. The closing of such transaction occurred on December 31, 2008, at which time Metro transferred ownership of the Wastewater Treatment Plant and its interest in the Wastewater Treatment Contract to the Master District. The Master District intends to finance future expansions of the Wastewater Treatment Plant through the issuance of bonds. Therefore, no further LUE Fees will be charged for wastewater treatment capacity under the Wastewater Treatment Contract.

Under the Water Supply Contract, as affected by the Capacity Assignment, the Master District was originally contractually obligated to purchase water capacity from Metro at the time of each connection and on a quarterly basis through the payment of water LUE fees. However, pursuant to a "First Amendment Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" dated August 9, 2011 (the "Water Supply Contract Amendment"), in consideration of the payment of \$250,000 to Metro, the obligation to make water LUE fee payments to Metro has terminated until such time as the number of LUEs actually connected to the water system serving the Master District's service area exceeds 2,610, at which point water LUE fees are required to be paid on a connection by connection basis.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

The currently estimated 6,567 LUEs projected to be developed within the Participant Districts are in excess of the 6,010 LUEs currently reserved for the Participant Districts under the Water Supply Contract and the Wastewater Treatment Contract. The Participant Districts expect to commence negotiations with the Master District, with respect to the Wastewater Treatment Contract, and with Metro, with respect to the Water Supply Contract, regarding amending these contracts to increase the existing LUE capacities.

The Master District facilities constructed or acquired to date have been acquired or constructed with funds provided by the Developers and proceeds of the Master District's Series 2006 and Series 2008 Bonds, which have since been refunded, and Series 2017 Bonds. Future water LUE Fee payments required under the Water Supply Contract are expected to be paid or reimbursed from the proceeds of future unlimited contract tax bonds issued by the Master District.

The chart below further describes the Participant Districts and their respective pro rata share of the Bonds based upon their certified 2017 Assessed Valuation.

| Participant | 2017 Certified Assessed Valuation ^(a) | Pro Rata Share of Master District Debt | Pro Rata Share of Average Annual Debt of \$919,996 ^(b) |
|----------------------------|--|--|---|
| Travis County MUD No. 2 | \$ 186,093,234 | 53.9% | \$ 496,007 |
| Cottonwood Creek MUD No. 1 | 118,041,063 | 34.2% | 314,623 |
| The District | 7,520,916 | 2.2% | 20,046 |
| Wilbarger Creek MUD No. 1 | 33,511,681 | 9.7% | 89,320 |
| | <u>\$ 345,166,894</u> | <u>100%</u> | <u>\$ 919,996</u> |

(a) Assessed valuations as of January 1, 2017 as certified by the Appraisal District.

(b) Preliminary; subject to change.

The Master District owns and operates the Master District facilities. Each Participant District within the Master District service area (including the Master District in its capacity as provider of internal water distribution, wastewater collection and storm drainage to serve the acreage within its boundaries) will own the internal water distribution, wastewater collection and storm drainage lines within its boundaries. Additionally, the Participant Districts will operate, maintain and provide retail billing and collection for their respective internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participant Districts, including the Master District in its role as Participant District. It is anticipated that the Master District facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Master District service area. In the event that the Master District fails to meet its obligations to provide Master District facilities as required by the Master District Contract, each Participant District has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District facilities needed to provide service to each Participant District, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by each Participant District for such Master District facilities.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

Each Participant District is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract (“Monthly Charge”). The Monthly Charges to be paid by each Participant District to the Master District will be used to pay each Participant District’s share of operation and maintenance costs and to provide for an operation and maintenance reserve equal to three months of operation and maintenance costs or such other amount as determined by the Master District’s financial advisor. For fiscal year 2017, the Master District’s financial advisor recommended maintenance of a three-month operation and maintenance reserve set aside in a separate fund by the Master District, as well as maintenance of funds equal to approximately two months’ budgeted expenses in the Master District’s general fund. Each Participant District’s share of operation and maintenance costs and reserve requirements is calculated by the Master District based upon the following categories of costs: (i) direct costs, including LUE fee payments and other costs directly incurred by the Participant District; (ii) volume-related costs, including actual usage fees related to water supply and wastewater collection and treatment; and (iii) all other costs, including administrative costs.

Pursuant to the Master District Contract, each Participant District is obligated to establish and maintain rates, fees and charges for services provided by each Participant District’s water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all time to pay each Participant District’s operation and maintenance costs, and each Participant District’s obligations pursuant to the Master District Contract, including each Participant District’s pro rata share of the Master District’s debt service requirements and monthly charges. All sums payable by each Participant District to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension or diminution. If any Participant District fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to withhold, in whole or in part, any reservation or allocation of capacity in the Master District’s facilities by such Participant District in addition to the Master District’s other remedies pursuant to the Master District Contract. Under certain conditions the Master District may, with the consent of all Participant Districts, extend the Master District service area and provide services to other parties who will become Participant Districts and agree to assume their pro rata share of the bonded indebtedness of the Master District facilities in the same manner as the existing Participant Districts. In addition, the Master District may, with the consent of all Participant Districts, provide services to others as long as the providing of such services does not impair the right of a Participant District to receive service from the Master District.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

Transaction Summary – Master District Operations & Maintenance

Transactions for the year ended September 30, 2017, are summarized as follows:

| | Receivable/ (Payable) Balance, 10/1/2016 | Current Fiscal Year | | Receivable/ (Payable) Balance, 9/30/2017 |
|----------------------------|---|---------------------|-----------------------|---|
| | | Billings | Payments | |
| Travis County MUD No. 2 | \$ 112,799 | \$ 711,071 | \$ (696,991) | \$ 126,879 |
| Cottonwood Creek MUD No. 1 | 68,046 | 477,268 | (479,987) | 65,327 |
| Wilbarger Creek MUD No. 1 | 18,594 | 158,143 | (154,979) | 21,758 |
| The District | (1,849) | 14,304 | (7,807) | 4,648 |
| | <u>\$ 197,590</u> | <u>\$ 1,360,786</u> | <u>\$ (1,339,764)</u> | <u>\$ 218,612</u> |

Transaction Summary – Master District Debt Service

Transactions for the year ended September 30, 2017, are summarized as follows:

| | Receivable/ (Payable) Balance, 10/1/2016 | Current Fiscal Year | | Receivable/ (Payable) Balance, 9/30/2017 |
|----------------------------|---|---------------------|-----------------------|---|
| | | Billings | Payments | |
| Travis County MUD No. 2 | \$ 1,579 | \$ 577,267 | \$ (578,124) | \$ 722 |
| Cottonwood Creek MUD No. 1 | (306) | 295,461 | (294,651) | 504 |
| Wilbarger Creek MUD No. 1 | (30) | 105,751 | (106,096) | (375) |
| The District | (58) | 25,581 | (25,556) | (33) |
| | <u>\$ 1,185</u> | <u>\$ 1,004,060</u> | <u>\$ (1,004,427)</u> | <u>\$ 818</u> |

10. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred or will incur costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operations. On May 3, 2003, a bond election held within the District approved authorization to issue \$39,340,000 of bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer's report. On May 7, 2005, a bond election held within the District approved \$3,995,000 of bonds to fund park and recreational facilities. As of September 30, 2017, the District has issued \$14,070,000 of Unlimited Contract Tax Bonds to reimburse developers.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

11. 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 (the "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.

12. DEFICIT IN FUND BALANCE/NET POSITION

Net investment in capital assets had a deficit balance of \$2,865,711 at September 30, 2017. This is primarily attributable to capitalized interest, bond proceeds transferred to the General Fund and depreciation/amortization expense associated with the District's bond issues.

Unrestricted net position had a deficit balance of \$961,147 at September 30, 2017. This is primarily attributable to developer advances to assist in funding the initial development of the District.

13. ECONOMIC DEPENDENCY

From inception, the District has been dependent upon its major developers for operating advances. The developers continue to own a substantial portion of taxable property within the District. The developers' willingness to make advances in future years will directly affect the District's ability to meet future obligations.

REQUIRED SUPPLEMENTARY INFORMATION

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2017**

| | <u>Actual</u> | <u>Original Budget</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------|----------------------------|---|
| REVENUES: | | | |
| Property taxes, including penalties | \$ 45,125 | \$ 44,674 | \$ 451 |
| Interest | 7 | - | 7 |
| TOTAL REVENUES | <u>45,132</u> | <u>44,674</u> | <u>458</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Repairs and Maintenance | 14,149 | - | (14,149) |
| Legal fees | 14,987 | 19,200 | 4,213 |
| Audit fees | 8,750 | 8,500 | (250) |
| Engineering fees | 2,700 | 2,700 | - |
| Accounting fees | 18,400 | 18,750 | 350 |
| Other consulting fees | 1,156 | 1,579 | 423 |
| Insurance | - | 450 | 450 |
| Tax appraisal/collection | 230 | 300 | 70 |
| Other | - | 1,275 | 1,275 |
| TOTAL EXPENDITURES | <u>60,372</u> | <u>52,754</u> | <u>(7,618)</u> |
| Excess / (deficiency) of revenues over expenditures | <u>(15,240)</u> | <u>(8,080)</u> | <u>(7,160)</u> |
| OTHER FINANCING USES - | | | |
| Operating transfers | (14,304) | (48,360) | 34,056 |
| TOTAL OTHER FINANCING USES | <u>(14,304)</u> | <u>(48,360)</u> | <u>34,056</u> |
| NET CHANGE IN FUND BALANCE | (29,544) | <u>\$ (56,440)</u> | <u>\$ 26,896</u> |
| FUND BALANCE : | | | |
| Beginning of the year | 242,251 | | |
| End of the year | <u>\$ 212,707</u> | | |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
COMBINING STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2017**

| | Master District | Participant District | Total |
|--|---------------------|-------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents - | | | |
| Cash | \$ 281,378 | \$ - | \$ 281,378 |
| Cash equivalents | 782,173 | - | 782,173 |
| Receivables - | | | |
| Property tax revenues, including penalties | - | - | - |
| Interfund | 5,048 | 33 | 5,081 |
| Intergovernmental | 265,264 | - | 265,264 |
| Other | 3,406 | - | 3,406 |
| Prepaid Expenditures | 780 | - | 780 |
| TOTAL ASSETS | \$ 1,338,049 | \$ 33 | \$ 1,338,082 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | \$ 301,894 | \$ - | \$ 301,894 |
| Refundable deposits | 1,718 | - | 1,718 |
| Interfund payable | - | 33 | 33 |
| TOTAL LIABILITIES | 303,612 | 33 | 303,645 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Property taxes | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | - |
| <u>FUND BALANCE</u> | | | |
| Nonspendable | 780 | - | 780 |
| Restricted for Contracted Master District expenditures | 1,033,657 | - | 1,033,657 |
| TOTAL FUND BALANCE | 1,034,437 | - | 1,034,437 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,338,049 | \$ 33 | \$ 1,338,082 |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
COMBINING STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2017**

| | Master District | Participant District | Total |
|---|--------------------|-------------------------|------------------|
| REVENUES - | | | |
| Property tax revenues, including penalties | \$ - | \$ 26,323 | \$ 26,323 |
| Water capacity charges | 399,000 | - | 399,000 |
| Interest | 4,184 | 66 | 4,250 |
| TOTAL REVENUES | 403,184 | 26,389 | 429,573 |
| EXPENDITURES - | | | |
| Current - | | | |
| Contracted Master District charges | - | 14,304 | 14,304 |
| Water purchases | 1,010,337 | - | 1,010,337 |
| Repairs and maintenance | 135,605 | - | 135,605 |
| Operations/management | 106,161 | - | 106,161 |
| Utilities and telephone | 56,100 | - | 56,100 |
| Sludge hauling | 49,531 | - | 49,531 |
| Chemicals and lab fees | 57,960 | - | 57,960 |
| Permit fees | 4,792 | - | 4,792 |
| Easement and landscape maintenance | 8,700 | - | 8,700 |
| Director fees, including payroll taxes | 7,912 | - | 7,912 |
| Legal fees | 65,535 | - | 65,535 |
| Engineering fees | 62,918 | - | 62,918 |
| Accounting fees | 36,000 | - | 36,000 |
| Audit fees | 5,250 | - | 5,250 |
| Tax appraisal/collection fees | - | 134 | 134 |
| Other consulting fees | - | 674 | 674 |
| Insurance | 8,025 | - | 8,025 |
| Miscellaneous | 2,944 | - | 2,944 |
| Capital outlay | 14,531 | - | 14,531 |
| TOTAL EXPENDITURES | 1,632,301 | 15,112 | 1,647,413 |
| Excess/(deficiency) of revenues over expenditures | (1,229,117) | 11,277 | (1,217,840) |
| OTHER FINANCING SOURCES/(USES) - | | | |
| Intergovernmental contributions | 1,346,482 | 14,304 | 1,360,786 |
| Operating Transfer | 14,304 | (25,581) | (11,277) |
| TOTAL OTHER FINANCING SOURCES/(USES) | 1,360,786 | (11,277) | 1,349,509 |
| Excess/(deficiency) of revenues over expenditures and other financing uses | 131,669 | - | 131,669 |
| FUND BALANCE - | | | |
| Beginning of Year | 902,768 | - | 902,768 |
| End of year | \$ 1,034,437 | \$ - | \$ 1,034,437 |

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**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
COMBINING BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2017**

| | Master District | | |
|---|---------------------|--------------------|--|
| | Actual | Original Budget | Variance Favorable (Unfavorable) |
| REVENUES - | | | |
| Water capacity charges | \$ 399,000 | \$ 190,000 | \$ 209,000 |
| Property tax revenues, including penalties | - | - | - |
| Interest | 4,184 | 600 | 3,584 |
| Miscellaneous | - | - | - |
| TOTAL REVENUES | <u>403,184</u> | <u>190,600</u> | <u>212,584</u> |
| EXPENDITURES - | | | |
| Current - | | | |
| Contracted Master District services | - | - | - |
| Water purchases | 1,010,337 | 1,090,226 | 79,889 |
| Repairs and maintenance | 135,605 | 207,000 | 71,395 |
| Operations/management | 106,161 | 108,640 | 2,479 |
| Utilities and telephone | 56,100 | 60,000 | 3,900 |
| Sludge hauling | 49,531 | 60,000 | 10,469 |
| Chemicals and lab fees | 57,960 | 66,000 | 8,040 |
| Permit fees | 4,792 | 11,750 | 6,958 |
| Easement and landscape maintenance | 8,700 | 7,400 | (1,300) |
| Director fees | 7,912 | 9,684 | 1,772 |
| Legal fees | 65,535 | 65,000 | (535) |
| Engineering fees | 62,918 | 64,500 | 1,582 |
| Accounting fees | 36,000 | 36,750 | 750 |
| Audit fees | 5,250 | 5,000 | (250) |
| Tax appraisal/collection fees | - | - | - |
| Other consulting fees | - | 25,000 | 25,000 |
| Insurance | 8,025 | 9,700 | 1,675 |
| Miscellaneous | 2,944 | 6,000 | 3,056 |
| Capital outlay | 14,531 | 350,000 | 335,469 |
| TOTAL EXPENDITURES | <u>1,632,301</u> | <u>2,182,650</u> | <u>550,349</u> |
| Excess/(deficiency) of revenues over expenditures | <u>(1,229,117)</u> | <u>(1,992,050)</u> | <u>762,933</u> |
| OTHER FINANCING SOURCES/(USES) - | | | |
| Intergovernmental contributions | 1,346,482 | 2,075,361 | (728,879) |
| Operating transfer out | 14,304 | 48,360 | (34,056) |
| TOTAL OTHER FINANCING SOURCES/(USES) | <u>1,360,786</u> | <u>2,123,721</u> | <u>(762,935)</u> |
| Excess/(deficiency) of revenues over expenditures and other financing uses | 131,669 | <u>\$ 131,671</u> | <u>\$ (2)</u> |
| Fund balance, beginning of year | <u>902,768</u> | | |
| Fund balance, end of year | <u>\$ 1,034,437</u> | | |

| Participant District | | | Total | | |
|----------------------|--------|--|--------------|-------------|--|
| Actual | Budget | Variance Favorable (Unfavorable) | Actual | Budget | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ - | \$ 399,000 | \$ 190,000 | \$ 209,000 |
| 26,323 | - | 26,323 | 26,323 | - | 26,323 |
| 66 | - | 66 | 4,250 | 600 | 3,650 |
| - | - | - | - | - | - |
| 26,389 | - | 26,389 | 429,573 | 190,600 | 238,973 |
| 14,304 | - | (14,304) | 14,304 | - | (14,304) |
| - | - | - | 1,010,337 | 1,090,226 | 79,889 |
| - | - | - | 135,605 | 207,000 | 71,395 |
| - | - | - | 106,161 | 108,640 | 2,479 |
| - | - | - | 56,100 | 60,000 | 3,900 |
| - | - | - | 49,531 | 60,000 | 10,469 |
| - | - | - | 57,960 | 66,000 | 8,040 |
| - | - | - | 4,792 | 11,750 | 6,958 |
| - | - | - | 8,700 | 7,400 | (1,300) |
| - | - | - | 7,912 | 9,684 | 1,772 |
| - | - | - | 65,535 | 65,000 | (535) |
| - | - | - | 62,918 | 64,500 | 1,582 |
| - | - | - | 36,000 | 36,750 | 750 |
| - | - | - | 5,250 | 5,000 | (250) |
| 134 | - | (134) | 134 | - | (134) |
| 674 | - | (674) | 674 | 25,000 | 24,326 |
| - | - | - | 8,025 | 9,700 | 1,675 |
| - | - | - | 2,944 | 6,000 | 3,056 |
| - | - | - | 14,531 | 350,000 | 335,469 |
| 15,112 | - | (15,112) | 1,647,413 | 2,182,650 | 535,237 |
| 11,277 | - | 11,277 | (1,217,840) | (1,992,050) | 774,210 |
| 14,304 | - | 14,304 | 1,360,786 | 2,075,361 | (714,575) |
| (25,581) | - | (25,581) | (11,277) | 48,360 | (59,637) |
| (11,277) | - | (11,277) | 1,349,509 | 2,123,721 | (774,212) |
| - | \$ - | \$ - | 131,669 | \$ 131,671 | \$ (2) |
| - | | | 902,768 | | |
| \$ - | | | \$ 1,034,437 | | |

TEXAS SUPPLEMENTARY INFORMATION

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2017**

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|--|--|
| <input type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input checked="" type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1000 Gallons Over Minimum | Usage Levels |
|-------------|-------------------|------------------|------------------|--|--------------------------|
| WATER: | \$ 35.00 | N/A | N | \$ 6.00 | 0 - 7,000 gallons |
| | | | | \$ 7.00 | 7,001 to 15,000 gallons |
| | | | | \$ 7.75 | 15,001 to 25,000 gallons |
| | | | | \$ 8.50 | Over 25,000 gallons |
| WASTEWATER: | \$ - | N/A | N | \$ 7.50 | per 1,000 gallons |
| SURCHARGE: | \$ - | - | - | \$ - | |

District employs winter averaging for wastewater usage? Yes ☒ No ☐

Total charges per 10,000 gallons usage: Water \$ 98.00 Wastewater \$ 75.00

b. Water and Wastewater Retail Connections:

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFC's |
|------------------|----------------------|-----------------------|----------------|------------------|
| Unmetered | 0.0 | 0.0 | 1.0 | 0.0 |
| ≤ 3/4" | 0.0 | 0.0 | 1.0 | 0.0 |
| 1" | 0.0 | 0.0 | 2.5 | 0.0 |
| 1 1/2" | 0.0 | 0.0 | 5.0 | 0.0 |
| 2" | 0.0 | 0.0 | 8.0 | 0.0 |
| 3" | 0.0 | 0.0 | 15.0 | 0.0 |
| 4" | 0.0 | 0.0 | 25.0 | 0.0 |
| 6" | 0.0 | 0.0 | 50.0 | 0.0 |
| 8" | 0.0 | 0.0 | 80.0 | 0.0 |
| 10" | 0.0 | 0.0 | 115.0 | 0.0 |
| Total Water | 0.0 | 0.0 | | 0.0 |
| Total Wastewater | 0.0 | 0.0 | 1.0 | 0.0 |

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: 161,496 ⁽¹⁾

Gallons billed to customers: -

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: Travis

Is the District located entirely within one county? Yes ☒ No ☐

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which district is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: City of Manor, Texas

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

⁽¹⁾ District provides wholesale water and wastewater services to Participant Districts as described in Note 9.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2017**

| | |
|---|-------------------------|
| Personnel Expenditures (including benefits) | \$ - |
| Professional Fees: | |
| Auditing | 8,750 |
| Legal | 14,987 |
| Engineering | 2,700 |
| Financial Advisor | - |
| Purchased Services For Resale: | |
| Bulk Water and Wastewater Purchases | - |
| Contracted Services: | |
| Bookkeeping | 18,400 |
| General Manager | - |
| Appraisal District | 224 |
| Tax Collector | 6 |
| Other Contracted Services | 1,156 |
| Utilities | - |
| Repairs and Maintenance | 14,149 |
| Administrative Expenditures: | |
| Directors' Fees | - |
| Office Supplies | - |
| Insurance | - |
| Other Administrative Expenditures | - |
| Capital Outlay: | |
| Capitalized Assets | - |
| Expenditures not Capitalized | - |
| Tap Connection Expenditures | - |
| Solid Waste Disposal | - |
| Fire Fighting | - |
| Parks and Recreation | - |
| Other Expenditures | - |
| TOTAL EXPENDITURES | <u><u>\$ 60,372</u></u> |

Number of persons employed by the District:

☐ Full-Time

☐ Part-Time

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2017**

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|--------------------------------|---|--------------------------|--------------------------|---------------------------------------|---|
| Special Revenue Fund - | | | | | |
| State Investment Pool | XXX0001 | Varies | N/A | 505,916 | - |
| State Investment Pool | XXX0006 | Varies | N/A | 276,257 | - |
| Total | | | | 782,173 | - |
| Debt Service Fund - | | | | | |
| State Investment Pool | XXX0003 | Varies | N/A | 90,370 | - |
| Money Market | XXX6021 | Varies | Daily | 458,810 | - |
| Money Market | XXX6013 | Varies | Daily | 77,593 | - |
| Total | | | | 626,773 | - |
| Capital Projects Fund - | | | | | |
| State Investment Pool | XXX0009 | Varies | Daily | 86,898 | - |
| Total | | | | 86,898 | - |
| Total - All Funds | | | | \$ 1,495,844 | \$ - |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2017**

| | | <u>Maintenance Taxes</u> | <u>Contract Taxes</u> | <u>Debt Service Taxes</u> |
|---|-----------------------------|------------------------------|---------------------------|-------------------------------|
| Taxes Receivable, Beginning of Year | | \$ - | \$ - | \$ - |
| 2016 Original Tax Levy, less abatements | | 45,125 | 26,323 | - |
| Tax Adjustments | | - | - | - |
| Total to be accounted for | | <u>45,125</u> | <u>26,323</u> | <u>-</u> |
| Tax collections: | | | | |
| Current year | | 45,125 | 26,323 | - |
| Prior years | | - | - | - |
| Total collections | | <u>45,125</u> | <u>26,323</u> | <u>-</u> |
| Taxes Receivable, End of Year | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Taxes Receivable, By Years | | | | |
| 2014 and before | | \$ - | \$ - | \$ - |
| 2015 | | - | - | - |
| Taxes Receivable, End of Year | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Property Valuations: | <u>2016</u> (a) | <u>2015</u> (a) | <u>2014</u> (a) | <u>2013</u> (a) |
| Land and improvements | \$ 7,520,916 | \$ 6,335,781 | \$ 3,710,059 | \$ 3,589,887 |
| Personal Property | - | - | - | - |
| Total Property Valuations | <u>\$ 7,520,916</u> | <u>\$ 6,335,781</u> | <u>\$ 3,710,059</u> | <u>\$ 3,589,887</u> |
| Tax Rates per \$100 Valuation: | | | | |
| Maintenance tax rates | \$ 0.6000 | \$ 0.6000 | \$ 0.5700 | \$ 0.5700 |
| Contract tax rates | 0.3500 | 0.3500 | 0.3800 | 0.3800 |
| Debt Service tax rates | - | - | - | - |
| Total Tax Rates per \$100 Valuation: | <u>\$ 0.9500</u> | <u>\$ 0.9500</u> | <u>\$ 0.9500</u> | <u>\$ 0.9500</u> |
| Original Tax Levy | <u>\$ 71,448</u> | <u>\$ 60,190</u> | <u>\$ 35,246</u> | <u>\$ 34,104</u> |
| Percent of Taxes Collected to Taxes Levied ** | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |
| Maximum Maintenance Tax Rate Approved by Voters: | <u>\$ 1.50 on 5/3/2003.</u> | | | |

**Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2017**

| Fiscal Year Ending | (Master District) Unlimited Contract Tax Refunding Bonds, SR 2012 | | | (Master District) Unlimited Contract Tax Refunding Bonds, SR 2016 | | | (Master District) Unlimited Contract Tax Bonds, SR 2017 | | | Annual Requirements for all Series | | |
|--------------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|------------------------------------|---------------------|----------------------|
| | Principal Due 09/01 | Interest Due 03/01;09/01 | Total | Principal Due 09/01 | Interest Due 03/01;09/01 | Total | Principal Due 09/01 | Interest Due 03/01;09/01 | Total | Principal | Interest | Total |
| | | | | | | | | | | | | |
| 2018 | \$ 410,000 | \$ 120,499 | \$ 530,499 | \$ 105,000 | \$ 126,950 | \$ 231,950 | \$ 5,000 | \$ 150,437 | \$ 155,437 | \$ 520,000 | \$ 397,886 | \$ 917,886 |
| 2019 | 400,000 | 109,224 | 509,224 | 105,000 | 124,588 | 229,588 | 5,000 | 150,238 | 155,238 | 510,000 | 384,050 | 894,050 |
| 2020 | 440,000 | 97,224 | 537,224 | 110,000 | 122,225 | 232,225 | 5,000 | 150,037 | 155,037 | 555,000 | 369,486 | 924,486 |
| 2021 | 205,000 | 83,144 | 288,144 | 340,000 | 119,750 | 459,750 | 5,000 | 149,838 | 154,838 | 550,000 | 352,732 | 902,732 |
| 2022 | 200,000 | 76,174 | 276,174 | 380,000 | 112,100 | 492,100 | 5,000 | 149,637 | 154,637 | 585,000 | 337,911 | 922,911 |
| 2023 | 225,000 | 68,974 | 293,974 | 365,000 | 103,550 | 468,550 | 5,000 | 149,438 | 154,438 | 595,000 | 321,962 | 916,962 |
| 2024 | 225,000 | 60,649 | 285,649 | 380,000 | 94,425 | 474,425 | 5,000 | 149,237 | 154,237 | 610,000 | 304,311 | 914,311 |
| 2025 | 245,000 | 52,436 | 297,436 | 385,000 | 84,925 | 469,925 | 5,000 | 149,038 | 154,038 | 635,000 | 286,399 | 921,399 |
| 2026 | 245,000 | 42,881 | 287,881 | 375,000 | 75,300 | 450,300 | 5,000 | 148,837 | 153,837 | 625,000 | 267,018 | 892,018 |
| 2027 | 265,000 | 33,081 | 298,081 | 405,000 | 64,050 | 469,050 | 5,000 | 148,638 | 153,638 | 675,000 | 245,769 | 920,769 |
| 2028 | 260,000 | 22,481 | 282,481 | 415,000 | 51,900 | 466,900 | 5,000 | 148,387 | 153,387 | 680,000 | 222,768 | 902,768 |
| 2029 | 285,000 | 11,756 | 296,756 | 420,000 | 39,450 | 459,450 | 5,000 | 148,138 | 153,138 | 710,000 | 199,344 | 909,344 |
| 2030 | - | - | - | 445,000 | 26,850 | 471,850 | 315,000 | 147,887 | 462,887 | 760,000 | 174,737 | 934,737 |
| 2031 | - | - | - | 450,000 | 13,500 | 463,500 | 340,000 | 132,138 | 472,138 | 790,000 | 145,638 | 935,638 |
| 2032 | - | - | - | - | - | - | 815,000 | 118,537 | 933,537 | 815,000 | 118,537 | 933,537 |
| 2033 | - | - | - | - | - | - | 845,000 | 92,050 | 937,050 | 845,000 | 92,050 | 937,050 |
| 2034 | - | - | - | - | - | - | 875,000 | 62,475 | 937,475 | 875,000 | 62,475 | 937,475 |
| 2035 | - | - | - | - | - | - | 910,000 | 31,850 | 941,850 | 910,000 | 31,850 | 941,850 |
| | <u>\$ 3,405,000</u> | <u>\$ 778,523</u> | <u>\$ 4,183,523</u> | <u>\$ 4,680,000</u> | <u>\$ 1,159,563</u> | <u>\$ 5,839,563</u> | <u>\$ 4,160,000</u> | <u>\$ 2,376,837</u> | <u>\$ 6,536,837</u> | <u>\$ 12,245,000</u> | <u>\$ 4,314,923</u> | <u>\$ 16,559,923</u> |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2017**

| | BOND ISSUES | | | Totals |
|--|--|--|--|------------------------------|
| | (Master) Series 2012 | (Master) Series 2016 | (Master) Series 2017 | |
| Interest Rate | 2.75% - 4.125% | 2.25% - 3.00% | 3.25% - 5.00% | |
| Dates Interest Payable | 3/1; 9/1 | 3/1; 9/1 | 3/1; 9/1 | |
| Maturity Dates | 09/01/2029 | 09/01/2031 | 09/01/2035 | |
| Bond Outstanding at Beginning of Current Fiscal Year | \$ 3,825,000 | \$ 4,780,000 | \$ - | \$ 8,605,000 |
| Bonds Sold During the Current Fiscal Year | - | - | 4,160,000 | 4,160,000 |
| Retirements During the Current Fiscal Year: | | | | |
| Refunded | - | - | - | - |
| Principal | (420,000) | (100,000) | - | (520,000) |
| Bonds Outstanding at End of Current Fiscal Year | <u>\$ 3,405,000</u> | <u>\$ 4,680,000</u> | <u>\$ 4,160,000</u> | <u>\$ 12,245,000</u> |
| Interest Paid During the Current Fiscal Year | <u>\$ 130,998</u> | <u>\$ 129,200</u> | <u>\$ 49,729</u> | <u>\$ 309,927</u> |
| Paying Agent's Name & City: | <u>Bank of Texas</u> <u>Austin, Texas</u> | <u>Bank of Texas</u> <u>Austin, Texas</u> | <u>Bank of Texas</u> <u>Austin, Texas</u> | |
| Bond Authority: | Contract Tax Bonds | Refunding Bonds | Participant District Tax Bonds * | Park and Recreation Bonds |
| Amount Authorized by Voters | N/A | N/A | \$ 39,340,000 | \$ 3,995,000 |
| Amount Issued | \$ 14,070,000 | \$ 14,845,000 | - | - |
| Remaining To Be Issued | <u>N/A</u> | <u>N/A</u> | <u>\$ 39,340,000</u> | <u>\$ 3,995,000</u> |

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

| | |
|--|------------|
| Debt Service Fund Cash and Temporary Investments balances as of September 30, 2017: | \$ 626,773 |
| Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: | \$ 919,996 |

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**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-7. COMPARATIVE SCHEDULE OF REVENUES
AND EXPENDITURES - FIVE YEARS
SEPTEMBER 30, 2017**

| | Amounts | | | | |
|--|--------------------|------------------|--------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| GENERAL FUND REVENUES - | | | | | |
| Property taxes, including penalties | \$ 45,125 | \$ 38,279 | \$ 21,022 | \$ 20,405 | \$ 21,604 |
| Interest and other | 7 | - | - | - | - |
| TOTAL GENERAL FUND REVENUES | 45,132 | 38,279 | 21,022 | 20,405 | 21,604 |
| GENERAL FUND EXPENDITURES - | | | | | |
| Current - | | | | | |
| Repairs and Maintenance | 14,149 | - | - | - | - |
| Operations/management fees | - | - | - | 934 | 5,546 |
| Legal fees | 14,987 | 15,472 | 18,736 | 14,923 | 20,300 |
| Engineering fees | 2,700 | 2,700 | 2,700 | 2,700 | 1,980 |
| Audit fees | 8,750 | 8,200 | 7,900 | 7,650 | 7,500 |
| Accounting fees | 18,400 | 18,750 | 18,750 | 18,750 | 18,750 |
| Tax appraisal/collection | 230 | 207 | 125 | 110 | 117 |
| Other consulting fees | 1,156 | 1,143 | 1,098 | 1,174 | 1,236 |
| Miscellaneous | - | 470 | 119 | - | 30 |
| TOTAL GENERAL FUND EXPENDITURES | 60,372 | 46,942 | 49,428 | 46,241 | 55,459 |
| EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER EXPENDITURES | (15,240) | (8,663) | (28,406) | (25,836) | (33,855) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfer | (14,304) | 9,482 | (27,941) | (59,037) | (56,536) |
| Advance from developer | - | 34,243 | 137,000 | 137,000 | 137,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (14,304) | 43,725 | 109,059 | 77,963 | 80,464 |
| NET CHANGE IN GENERAL FUND BALANCE | \$ (29,544) | \$ 35,062 | \$ 80,653 | \$ 52,127 | \$ 46,609 |
| DEBT SERVICE FUND REVENUES - | | | | | |
| Contract tax revenues from participants | \$ 978,478 | \$ 821,576 | \$ 732,650 | \$ 678,065 | \$ 567,521 |
| Interest | 5,985 | 3,090 | 1,622 | 1,989 | 3,554 |
| TOTAL DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES | 984,463 | 824,666 | 734,272 | 680,054 | 571,075 |
| DEBT SERVICE FUND EXPENDITURES - | | | | | |
| Tax collection expenditures and other | 4,100 | 3,800 | 6,500 | 3,700 | 4,600 |
| Bond principal | 520,000 | 500,000 | 450,000 | 425,000 | 415,000 |
| Bond interest | 309,927 | 277,878 | 367,904 | 383,154 | 401,344 |
| TOTAL DEBT SERVICE FUND EXPENDITURES | 834,027 | 781,678 | 824,404 | 811,854 | 820,944 |
| EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES OVER EXPENDITURES | 150,436 | 42,988 | (90,132) | (131,800) | (249,869) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfer | 25,581 | 21,578 | 43,205 | 12,749 | 11,831 |
| Long term debt issued and related bond issue costs | - | (18,955) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 25,581 | 2,623 | 43,205 | 12,749 | 11,831 |
| NET CHANGE IN DEBT SERVICE FUND BALANCE | \$ 176,017 | \$ 45,611 | \$ (46,927) | \$ (119,051) | \$ (238,038) |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | - | - | - | - | - |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | - | - | - | - | - |

| Percent of Fund Total Revenues | | | | |
|-----------------------------------|---------|----------|----------|----------|
| 2017 | 2016 | 2015 | 2014 | 2013 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| - | - | - | - | - |
| 100% | 100% | 100% | 100% | 100% |
| 31.4% | - | - | - | 0.0% |
| - | - | - | 4.6% | 25.7% |
| 33.2% | 40.4% | 89.1% | 73.1% | 94.0% |
| 6.0% | 7.1% | 12.8% | 13.2% | 9.2% |
| 19.4% | 21.4% | 37.6% | 37.5% | 34.7% |
| 40.8% | 49.0% | 89.2% | 91.9% | 86.8% |
| 0.5% | 0.5% | 0.6% | 0.5% | 0.5% |
| 2.6% | 3.0% | 5.2% | 5.8% | 5.7% |
| - | 1.2% | 0.6% | - | 0.1% |
| 133.9% | 122.6% | 235.1% | 226.6% | 256.7% |
| (33.9)% | (22.6)% | (135.1)% | (126.6)% | (156.7)% |
| (31.7)% | 24.8% | (132.9)% | (289.3)% | (261.7)% |
| (0.1)% | 89.4% | 651.7% | 671.4% | 634.1% |
| (31.8)% | 114.2% | 518.8% | 382.1% | 372.4% |
| (65.7)% | 91.6% | 383.7% | 255.5% | 215.7% |
| 99.4% | 99.6% | 99.8% | 99.7% | 99.4% |
| 0.6% | 0.4% | 0.2% | 0.3% | 0.6% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 0.4% | 0.5% | 0.9% | 0.5% | 0.8% |
| 52.8% | 60.6% | 61.3% | 62.5% | 72.7% |
| 31.5% | 33.7% | 50.1% | 56.3% | 70.3% |
| 84.7% | 94.8% | 112.3% | 119.3% | 143.8% |
| 15.3% | 5.2% | (12.3)% | (19.3)% | (43.8)% |
| 2.6% | 2.6% | 5.9% | 1.9% | 2.1% |
| | (2.3)% | - | - | - |
| 2.6% | 0.3% | 5.9% | 1.9% | 2.1% |
| 17.9% | 5.5% | (6.4)% | (17.4)% | (41.7)% |

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2017**

| | |
|---|---|
| Complete District Mailing Address: | 100 Congress Ave., Suite 1300, Austin, TX 78701 |
| District Business Telephone Number: | (512) 435-2300 |
| Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054): | December 8, 2016 |
| Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060) | \$7,200 |

| Name and Address: | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid * | Expense Reimbursements | Title at Year End |
|-------------------------------------|---|--------------------------|---------------------------|-----------------------|
| <u>Board Members:</u> | | | | |
| Jim Baker | (Elected) 11/4/2014 - 11/6/2018 | \$ 1,800 | \$ 129 | President |
| Jennifer L. Goodrum | (Elected) 11/4/2014 - 11/6/2018 | \$ 1,350 | \$ 251 | Vice-President |
| John Compton | (Elected) 11/8/2016 - 11/3/2020 | \$ 1,200 | \$ 1,287 | Secretary |
| Meredith Sloan Knight | (Elected) 11/4/2014 - 11/6/2018 | \$ 1,500 | \$ - | Assistant Secretary |
| Hal Guggolz | (Elected) 11/8/2016 - 11/3/2020 | \$ 1,500 | \$ - | Assistant Secretary |
| <u>Consultants:</u> | | | | |
| Crossroads Utility Services | 11/11/2010 | \$ 142,247 | \$ - | General Manager |
| Armbrust & Brown, PLLC | 11/26/2002 | \$ 81,159 | \$ - | Attorney |
| | | \$ 62,736 | \$ - | Bond Related Services |
| Schroeder Engineering Company | 11/26/2002 | \$ 15,193 | \$ - | Engineer |
| | | \$ 8,630 | \$ - | Bond Related Services |
| Bott & Douthitt, PLLC | 7/1/2010 | \$ 54,400 | \$ 307 | District Accountant |
| Public Finance Group LLC | 5/7/2014 | \$ 1,830 | \$ - | Financial Advisor |
| | | \$ 99,680 | \$ - | Bond Related Services |
| McCall Parkhurst & Horton L.L.P. | 11/26/2002 | \$ 63,381 | \$ 1,774 | Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 8/3/2009 | \$ 14,000 | \$ - | Auditor |
| | | \$ 10,900 | \$ - | Bond Related Services |
| Travis County Tax Collector | 8/5/2003 | \$ 10 | \$ - | Tax Collector |

* Fees of Office are the amounts actually paid to a director during the District's fiscal year.

OTHER SUPPLEMENTARY INFORMATION

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2017**

| Taxpayer | Type of Property | Tax Roll Year | | |
|-------------------------------|------------------|---------------------|---------------------|---------------------|
| | | 2017 | 2016 | 2015 |
| SG Land Holdings LLC | N/A | \$ 6,841,573 | \$ 6,841,573 | \$ 5,651,438 |
| Cottonwood Holdings Ltd. | N/A | 659,343 | 659,343 | 659,343 |
| 2010 Shadowglenn LLC | N/A | 20,000 | 20,000 | 25,000 |
| Total | | <u>\$ 7,520,916</u> | <u>\$ 7,520,916</u> | <u>\$ 6,335,781</u> |
| Percent of Assessed Valuation | | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Source: Travis County Appraisal District

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 2
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2017**

| Type of Property | Tax Roll Year | | | | | |
|-------------------------|---------------------|-------------|---------------------|-------------|---------------------|-------------|
| | 2017 | | 2016 | | 2015 | |
| | Amount | % | Amount | % | Amount | % |
| Single Family Residence | \$ 10,973 | 0.1% | \$ 10,973 | 0.1% | \$ 10,973 | 0.2% |
| Vacant Lots | 20,000 | 0.3% | 20,000 | 0.3% | 25,000 | 0.4% |
| Rural Land | 7,489,943 | 99.6% | 7,489,943 | 99.6% | 6,299,808 | 99.4% |
| Total Taxable | <u>\$ 7,520,916</u> | <u>100%</u> | <u>\$ 7,520,916</u> | <u>100%</u> | <u>\$ 6,335,781</u> | <u>100%</u> |

Source: Travis County Appraisal District

APPENDIX C
Form of Bond Counsel Opinion

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

**WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2
UNLIMITED CONTRACT TAX BONDS, SERIES 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,460,000**

AS BOND COUNSEL FOR WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 2 (the "Master District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the resolution of the Board of Directors of the Master District adopted on August 7, 2018 authorizing the issuance of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Master 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 the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered, and that, assuming due authentication, Bonds issued in exchange therefor will have been duly delivered, in accordance with law, and that said Bonds, except as the enforceability thereof may be limited by laws applicable to the Master District 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 principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding, limited and special obligations of the Master District that, together with the Outstanding Contract Bonds, are equally and ratably secured by a trust indenture dated as of April 4, 2011 (the "Indenture") between the Master District and UMB Bank, N.A. as successor to BOKF, NA (the "Trustee"), pursuant to which the Master District has granted, conveyed, assigned and pledged to the Trustee certain "Pledged Revenues", which include (1) certain pledged contract payments under the Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities; Regional Water Supply and Delivery Facilities and Regional Drainage, Including Water Quality, Facilities, as dated therein, between the Master District and the various participants (the "Master District Contract"); (2) all amounts from time to time on deposit in the debt service fund and reserve fund held by the Trustee pursuant to the Indenture; and (3) all other property which may subsequently be pledged as additional security for the Bonds.



THE MASTER DISTRICT reserves the right to issue additional contract bonds; bonds, notes, and other obligations of inferior liens; and such other obligations authorized by law including, bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual 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 Master District with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Master District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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 Master District as the taxpayer. We observe that the Master District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.



WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Master District, and, in that capacity, we have been engaged by the Master 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 Master District or the Participants, 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 Master District and the Participants as to the current outstanding indebtedness of and the assessed valuation of taxable property within the Master District and the Participants, respectively. Our role in connection with the Master District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX D
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

