

**MASON CREEK UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2019**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mason Creek Utility District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Creek Utility District (the "District"), as of and for the year ended June 30, 2019, 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 June 30, 2019, 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 16, 2019



**MASON CREEK UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

Management's discussion and analysis of Mason Creek Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**MASON CREEK UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$17,559,255 as of June 30, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage and recreational facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of June 30, 2019, and June 30, 2018:

**MASON CREEK UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 8,164,886	\$ 7,642,687	\$ 522,199
Capital Assets (Net of Accumulated Depreciation)	<u>11,434,100</u>	<u>11,233,952</u>	<u>200,148</u>
Total Assets	<u>\$ 19,598,986</u>	<u>\$ 18,876,639</u>	<u>\$ 722,347</u>
Bonds Payable	\$ 1,651,064	\$ 1,747,709	\$ 96,645
Other Liabilities	<u>388,667</u>	<u>405,871</u>	<u>17,204</u>
Total Liabilities	<u>\$ 2,039,731</u>	<u>\$ 2,153,580</u>	<u>\$ 113,849</u>
Net Position:			
Net Investment in Capital Assets	\$ 9,783,036	\$ 9,486,243	\$ 296,793
Restricted	405,763	(55,192)	460,955
Unrestricted	<u>7,370,456</u>	<u>7,292,008</u>	<u>78,448</u>
Total Net Position	<u>\$ 17,559,255</u>	<u>\$ 16,723,059</u>	<u>\$ 836,196</u>

The following table provides a comparative analysis of the District's operations for the fiscal years ending June 30, 2019, and June 30, 2018:

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,022,901	\$ 1,991,939	\$ 30,962
Charges for Services	2,623,845	2,772,388	(148,543)
Sales Taxes	245,075	269,026	(23,951)
Other Revenues	<u>339,766</u>	<u>537,467</u>	<u>(197,701)</u>
Total Revenues	<u>\$ 5,231,587</u>	<u>\$ 5,570,820</u>	<u>\$ (339,233)</u>
Expenses for Services	<u>4,395,391</u>	<u>4,566,284</u>	<u>170,893</u>
Change in Net Position	\$ 836,196	\$ 1,004,536	\$ (168,340)
Net Position, Beginning of Year	<u>16,723,059</u>	<u>15,718,523</u>	<u>1,004,536</u>
Net Position, End of Year	<u>\$ 17,559,255</u>	<u>\$ 16,723,059</u>	<u>\$ 836,196</u>

**MASON CREEK UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

The District's combined fund balances as of June 30, 2019, were \$7,734,669, an increase of \$531,066 from the prior year.

The General Fund fund balance increased by \$69,844, primarily due to service and property tax revenues exceeding operating and capital expenditures as well as a transfer to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$461,222, primarily due to the structure of the District's outstanding debt requirements and the recording of a transfer from the General Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$132,027 more than budgeted, primarily due to higher than projected property tax and investment revenues as well as a FEMA reimbursement. Actual expenditures were \$275,894 less than budgeted, primarily due to lower than expected purchased wastewater service, utilities, and capital expenditures.

**LONG-TERM DEBT ACTIVITY**

As of June 30, 2019, the District had total bond debt payable of \$1,695,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 1,795,000
Less: Bond Principal Paid	<u>100,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 1,695,000</u>

The District's Series 2011 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's underlying rating is "A+". Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all changes, if any, through June 30, 2019.

**MASON CREEK UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSETS**

Capital assets as of June 30, 2019, total \$11,434,100 and include buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year included the District's share of improvements at the West Memorial Municipal Utility District Regional Sewage Treatment Plant, various motors, pumps and other equipment, various improvements to recreational facilities and other improvements at the community center.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 729,167	\$ 729,167	\$
Construction in Progress	325,079		325,079
Capital Assets, Net of Accumulated Depreciation:			
Community Center	268,249	316,186	(47,937)
Recreational Facility	39,679	43,942	(4,263)
Buildings and Improvements	507,654	400,055	107,599
Furniture and Equipment	699,980	738,806	(38,826)
Water System	4,671,142	4,798,096	(126,954)
Wastewater System	4,106,094	4,100,650	5,444
Drainage System	87,056	107,050	(19,994)
Total Net Capital Assets	\$ 11,434,100	\$ 11,233,952	\$ 200,148

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mason Creek Utility District, 847 Dominion, Katy, Texas 77450.

**MASON CREEK UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2019**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 2,108,066	\$ 429,217
Investments	5,114,955	
Receivables:		
Property Taxes	48,153	4,498
Penalty and Interest on Delinquent Taxes		
Service Accounts	258,312	
Accrued Interest	44,189	
Prepaid Costs	1,509	
Due from the City of Houston	69,579	
Joint Facilities Operating Advances	70,832	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 7,715,595</b>	<b>\$ 433,715</b>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,537,283	\$	\$ 2,537,283
5,114,955		5,114,955
52,651		52,651
	15,576	15,576
258,312		258,312
44,189		44,189
1,509		1,509
69,579		69,579
70,832		70,832
	729,167	729,167
	325,079	325,079
	<u>10,379,854</u>	<u>10,379,854</u>
<u>\$ 8,149,310</u>	<u>\$ 11,449,676</u>	<u>\$ 19,598,986</u>

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

**MASON CREEK UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2019**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 289,251	\$ 999
Accrued Interest Payable		
Due to Taxpayers		15,852
Security Deposits	55,888	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 345,139</b>	<b>\$ 16,851</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 48,153	\$ 4,498
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 1,509	\$
Joint Facilities Operating Advances	70,832	
Restricted for Debt Service		412,366
Assigned For 2020 Budget Deficit	1,019,282	
Unassigned	6,230,680	
<b>TOTAL FUND BALANCES</b>	<b>\$ 7,322,303</b>	<b>\$ 412,366</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,715,595</b>	<b>\$ 433,715</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 290,250	\$ 26,677	\$ 290,250
15,852		26,677
55,888		15,852
		55,888
	105,000	105,000
	<u>1,546,064</u>	<u>1,546,064</u>
<u>\$ 361,990</u>	<u>\$ 1,677,741</u>	<u>\$ 2,039,731</u>
<u>\$ 52,651</u>	<u>\$ (52,651)</u>	<u>\$ - 0 -</u>
\$ 1,509	\$ (1,509)	\$
70,832	(70,832)	
412,366	(412,366)	
1,019,282	(1,019,282)	
<u>6,230,680</u>	<u>(6,230,680)</u>	
<u>\$ 7,734,669</u>	<u>\$ (7,734,669)</u>	<u>\$ - 0 -</u>
<u>\$ 8,149,310</u>		
	\$ 9,783,036	\$ 9,783,036
	405,763	405,763
	<u>7,370,456</u>	<u>7,370,456</u>
	<u>\$ 17,559,255</u>	<u>\$ 17,559,255</u>

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

**MASON CREEK UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total Fund Balances - Governmental Funds \$ 7,734,669

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 11,434,100

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 68,227

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (26,677)	
Bonds Payable	<u>(1,651,064)</u>	<u>(1,677,741)</u>

Total Net Position - Governmental Activities \$ 17,559,255

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

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**MASON CREEK UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,848,767	\$ 164,858
Water Service	1,173,294	
Wastewater Service	1,074,650	
Groundwater Reduction Fees	311,791	
Sales Tax Revenues	245,075	
Penalty and Interest	26,148	15,439
Tap Connection and Inspection Fees	25,129	
Community Center Fees	63,818	
Proceeds from Sale of Assets	34,600	
Investment, FEMA, and Miscellaneous Revenues	255,072	1,783
<b>TOTAL REVENUES</b>	<b>\$ 5,058,344</b>	<b>\$ 182,080</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Personnel	\$ 404,672	\$
Professional Fees	109,321	4,865
Contracted Services	1,111,522	47,922
Purchased Wastewater Service	302,137	
Utilities	319,981	
Groundwater Reduction Costs	313,588	
Repairs and Maintenance	678,116	
Depreciation		
Community Center	328,748	
Other	237,301	8,370
Capital Outlay	676,790	
Debt Service:		
Bond Principal		100,000
Bond Interest		66,025
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,482,176</b>	<b>\$ 227,182</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 576,168</b>	<b>\$ (45,102)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ (506,324)	\$ 506,324
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 69,844</b>	<b>\$ 461,222</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES(DEFICIT)/NET POSITION - JULY 1, 2018</b>	<b>7,252,459</b>	<b>(48,856)</b>
<b>FUND BALANCES/NET POSITION - JUNE 30, 2019</b>	<b>\$ 7,322,303</b>	<b>\$ 412,366</b>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,013,625	\$ 9,276	\$ 2,022,901
1,173,294		1,173,294
1,074,650		1,074,650
311,791		311,791
245,075		245,075
41,587	(2,606)	38,981
25,129		25,129
63,818		63,818
34,600	(15,507)	19,093
256,855		256,855
<u>\$ 5,240,424</u>	<u>\$ (8,837)</u>	<u>\$ 5,231,587</u>
\$ 404,672	\$	\$ 404,672
114,186		114,186
1,159,444		1,159,444
302,137		302,137
319,981		319,981
313,588		313,588
678,116		678,116
	547,056	547,056
328,748	(85,921)	242,827
245,671		245,671
676,790	(676,790)	
100,000	(100,000)	
66,025	1,688	67,713
<u>\$ 4,709,358</u>	<u>\$ (313,967)</u>	<u>\$ 4,395,391</u>
<u>\$ 531,066</u>	<u>\$ 305,130</u>	<u>\$ 836,196</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 531,066	\$ (531,066)	\$
	836,196	836,196
<u>7,203,603</u>	<u>9,519,456</u>	<u>16,723,059</u>
<u>\$ 7,734,669</u>	<u>\$ 9,824,586</u>	<u>\$ 17,559,255</u>

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

**MASON CREEK UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 531,066

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 9,276

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. (2,606)

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (547,056)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 747,204

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 100,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (1,688)

Change in Net Position - Governmental Activities \$ 836,196

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

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1. CREATION OF DISTRICT**

Mason Creek Utility District of Harris County, Texas (the “District”) was created by the Acts of the 62<sup>nd</sup> Legislature of Texas, Regular Session, 1971, page 2164, chapter 664, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The District operates under the provisions of Chapters 49 and 54, Texas Water Code, as amended. The Board of Directors held its first meeting on December 29, 1971 and its first bonds were sold on July 23, 1973.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- 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.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the District recorded a transfer of \$506,324 from the General Fund to the Debt Service Fund in order to eliminate the interfund liability between the funds which reflects the Board’s intent not to reimburse the General Fund. The District’s policy is to cover any deficits with transfers from the General Fund.

Capital Assets

Capital assets which include property, plant and equipment are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$2,500 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	50
Water System	50
Wastewater System	50
Drainage System	40
Sewer Plant Contribution	50
Community Center	20
Machinery and Equipment	15
Furniture and Equipment	20
Transportation Equipment	5

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has established a simplified pension plan. It has also elected to provide social security coverage to all employees who are not participating in a public retirement system. See Note 10. The Internal Revenue Service determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,019,282 of its General Fund fund balance to cover a budgeted shortfall in fiscal year 2020.

*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.

Accounting Estimates

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

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2011</u>
Amounts Outstanding - June 30, 2019	\$ 1,695,000
Interest Rates	3.00% - 4.30%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2031
Interest Payment Dates	August 1 / February 1
Callable Dates	August 1, 2019*

\* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2011 Term Bonds maturing on August 1, 2021, 2023, 2025, 2027, 2029, and 2031, are subject to mandatory redemption beginning August 1, 2020, 2022, 2024, 2026, 2028, and 2030, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 1,795,000	\$	\$ 100,000	\$ 1,695,000
Unamortized Discounts	(47,291)		(3,355)	(43,936)
Bonds Payable, Net	\$ 1,747,709	\$ -0-	\$ 96,645	\$ 1,651,064
			Amount Due Within One Year	\$ 105,000
			Amount Due After One Year	1,546,064
			Bonds Payable, Net	\$ 1,651,064

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$2,779,000 for utility facilities. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 105,000	\$ 61,926	\$ 166,926
2021	105,000	58,249	163,249
2022	110,000	55,025	165,025
2023	115,000	51,478	166,478
2024	120,000	47,600	167,600
2025-2029	665,000	168,703	833,703
2030-2032	475,000	31,151	506,151
	\$ 1,695,000	\$ 474,132	\$ 2,169,132

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3. LONG-TERM DEBT (Continued)**

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.027 per \$100 of assessed valuation, which resulted in a tax levy of \$166,984 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

Lien Date	- January 1.
Levy Date	- October 1 or as soon thereafter as practicable.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The bond resolution states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information, operating data, and notices of certain events to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$7,652,238 and the bank balance was \$7,625,232. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,108,066	\$ 5,114,955	\$ 7,223,021
DEBT SERVICE FUND	429,217		429,217
TOTAL DEPOSITS	\$ 2,537,283	\$ 5,114,955	\$ 7,652,238

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under 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." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of June 30, 2019, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 year</u>	<u>1-5 Years</u>
<u>GENERAL FUND</u>			
Certificates of Deposit	<u>\$5,114,955</u>	<u>\$ 4,871,881</u>	<u>\$ 243,074</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or that are covered by pledged securities for balances that exceed FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than two years.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 729,167	\$	\$	\$ 729,167
Construction in Progress		762,711	437,632	325,079
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 729,167</u>	<u>\$ 762,711</u>	<u>\$ 437,632</u>	<u>\$ 1,054,246</u>
<b>Capital Assets Subject to Depreciation</b>				
Community Center	\$ 1,310,627	\$	\$	\$ 1,310,627
Recreational Facility	99,752			99,752
Buildings and Improvements	691,239	118,350		809,589
Furniture and Equipment	1,763,582	46,925	55,326	1,755,181
Water System	11,151,203	110,608		11,261,811
Wastewater System	8,786,404	161,749		8,948,153
Drainage System	4,333,210			4,333,210
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 28,136,017</u>	<u>\$ 437,632</u>	<u>\$ 55,326</u>	<u>\$ 28,518,323</u>
<b>Accumulated Depreciation</b>				
Community Center	\$ 994,441	\$ 47,937	\$	\$ 1,042,378
Recreational Facility	55,810	4,263		60,073
Buildings and Improvements	291,184	10,751		301,935
Furniture and Equipment	1,024,776	70,244	39,819	1,055,201
Water System	6,353,107	237,562		6,590,669
Wastewater System	4,685,754	156,305		4,842,059
Drainage System	4,226,160	19,994		4,246,154
<b>Total Accumulated Depreciation</b>	<u>\$ 17,631,232</u>	<u>\$ 547,056</u>	<u>\$ 39,819</u>	<u>\$ 18,138,469</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,504,785</u>	<u>\$ (109,424)</u>	<u>\$ 15,507</u>	<u>\$ 10,379,854</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 11,233,952</u>	<u>\$ 653,287</u>	<u>\$ 453,139</u>	<u>\$ 11,434,100</u>

**NOTE 7. MAINTENANCE TAX**

On May 1, 1999, the voters within the District approved for the District to levy an unlimited maintenance tax rate per \$100 of assessed valuation on property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.303 per \$100 of assessed valuation, which resulted in a tax levy of \$1,873,930 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES**

West Memorial Regional Wastewater Treatment Plant

On December 18, 1972, the District entered into agreements with Harris County Municipal Utility District No. 81, West Memorial Municipal Utility District (“West Memorial”), then known as Harris County Water Control and Improvement District No. 134, and Cimarron Municipal Utility District (the “Participants”) for the provision of a regional waste treatment facility. The Plant is owned and operated by West Memorial and expanded by the Participants.

On August 30, 1983, the District and the Participants amended the agreement to include Interstate Municipal Utility District. On January 25, 1994, West Memorial purchased 29,000 gallons per day (gpd) of capacity from Cimarron Municipal Utility District. The amendment also provided for the expansion of the Plant to a capacity of 6,475,000 gpd. The Participants agreed to finance the expansion to include the issuance of bonds, if required. The term of the agreement is 40 years from the effective date of the amendment. Current capacity ownership is as follows:

	<u>Owned Capacity in Gallons Per Day</u>	<u>Percentage of Ownership</u>
The District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25
Harris County Municipal Utility District No. 81	1,255,000	19.38
Cimarron Municipal Utility District	2,471,000	38.16
Interstate Municipal Utility District	<u>1,350,000</u>	<u>20.85</u>
<b>TOTAL</b>	<u><b>6,475,000</b></u>	<u><b>100.00%</b></u>

Oversight of the Plant is exercised by the Board of Directors of West Memorial. The terms of the agreement provide for an operating reserve equivalent to three months operation and maintenance costs as set forth in the annual budget allocated to the Participants based on equivalent connections. The allocation of the operating reserve at June 30, 2019, is as follows:

The District	\$	40,832
West Memorial Municipal Utility District		52,690
Harris County Municipal Utility District No. 81		87,113
Cimarron Municipal Utility District		144,129
Interstate Municipal Utility District		<u>89,036</u>
<b>Total</b>	<b>\$</b>	<b><u>413,800</u></b>

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)**

West Memorial Regional Wastewater Treatment Plant (Continued)

The District's pro rata share of current year operating expenditures was \$152,567. The Participants are billed for operations based on a budgeted cost per connection. At fiscal year-end, revenues are adjusted to equal actual expenditures. Overages are disbursed to participants and shortages are billed to participants. The following summary financial data of the West Memorial Regional Wastewater Plant is presented for the fiscal year ended June 30, 2019.

Total Assets	\$ 832,805
Total Liabilities	<u>419,005</u>
Total Fund Balance	<u>\$ 413,800</u>
Total Revenues	\$ 3,412,642
Total Expenditures	<u>3,412,642</u>
Net Change in Fund Balance	\$ - 0 -
Increase (Decrease) in Operating Reserve	(3,388)
Beginning Fund Balance	<u>417,188</u>
Ending Fund Balance	<u>\$ 413,800</u>

Cinco Regional Sewage Treatment Plant

Cinco Regional Sewage Treatment Plant (the Plant) was established by agreements between Cornerstones Municipal Utility District, Harris County Municipal Utility District No. 81 (District No. 81), the District and Memorial Municipal Utility District on May 15, 1978, and as subsequently amended and restated. The agreement and subsequent amendments were entered into for the purpose of sharing the costs of constructing and operating a regional sewage treatment plant. Current capacity and ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	500,000	16.67%
Cornerstones Municipal Utility District	1,000,000	33.33
Harris County Municipal Utility District No. 81	560,000	18.67
Memorial Municipal Utility District	<u>940,000</u>	<u>31.33</u>
<b>TOTAL</b>	<u><b>3,000,000</b></u>	<u><b>100.00%</b></u>

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)**

Cinco Regional Sewage Treatment Plant (Continued)

The participants are billed for fixed and variable plant operating costs on a monthly basis. Variable costs, consisting primarily of chemicals, sludge, and electricity costs, are allocated to each participant based on the number of connections served for each participant divided by the total number of connections served by the plant. Fixed costs are allocated based on ownership percentage and consist of all other costs of operating the plant. Major capital costs may be allocated as fixed or variable costs, depending on the nature of the costs. Each participant has made equal cash deposits for an operating reserve totaling \$120,000, of which the District's share is \$30,000. The District's pro rata share of current year operating expenditures was \$149,570. The following summary financial data of the Cinco Regional Sewage Treatment Plant is presented for the fiscal year ended December 31, 2018.

Total Assets	\$ 178,085
Total Liabilities	<u>58,085</u>
Total Fund Balance	<u>\$ 120,000</u>
Total Revenues	\$ 1,288,892
Total Other Financing Sources	243,971
Total Expenditures	<u>(1,532,863)</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>120,000</u>
Ending Fund Balance	<u>\$ 120,000</u>

The participants have also entered into a Reclaimed Water Agreement dated May 11, 2016, which was amended on February 15, 2017. Under this agreement Cinco MUD No. 1 will construct and operate a wastewater treatment plant effluent reuse facility for the benefit of all participants.

**NOTE 9. COMPENSATED ABSENCES**

Employees of the District are entitled to paid vacation, sick days and holidays based on meeting certain criteria. These benefits are determined on a calendar year basis and may not be carried over to the succeeding year. The District has elected not to accrue immaterial, compensated absences as of June 30, 2019.

**NOTE 10. RETIREMENT PLAN**

The District established a simplified employee pension plan (defined contribution) on December 13, 1995. The plan has a calendar year end and provides for a maximum contribution of 25% of wages for eligible employees. Eligible employees are fully vested in plan balances. The District contributed 10% of the eligible employees' salaries to the plan which totaled \$22,971 for the current fiscal year.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11. GROUNDWATER REDUCTION PLAN**

On January 8, 2003 the District executed an agreement between the City of Houston and the District, which was effective as of the date countersigned by the City of Houston ("GRP Manager"). The agreement was countersigned on July 18, 2003 and is known as the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidence District," (the "Agreement"). The Agreement, which expires at noon on October 31, 2040, relates to a project for water to be supplied pursuant to this Agreement which must be derived primarily from surface water. By January 2030, groundwater withdrawals are to comprise no more than 20% of the pumper's total water demand. The District's costs for the year ended June 30, 2019 totaled \$313,588.

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

**NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District collected \$245,075 in sales tax revenue from the City of Houston, of which \$69,579 was recorded as receivable at year end.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

**MASON CREEK UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS**

On January 1, 1998, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 81. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On October 16, 2006, the District executed an emergency water supply contract with Interstate Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On June 15, 2012, the District executed an emergency water supply contract with Green Trails Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 30 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is the first increment of volume used above the minimum monthly charge by single-family residential customers inside the district's boundaries, plus an additional amount necessary to cover City of Houston groundwater reduction fees. This contract will remain in effect until terminated in writing by either party.

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**MASON CREEK UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**



**MASON CREEK UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,758,837	\$ 1,848,767	\$ 89,930
Water Service	1,235,650	1,173,294	(62,356)
Wastewater Service	1,074,750	1,074,650	(100)
Groundwater Reduction Fees	332,200	311,791	(20,409)
Sales Tax Revenues	295,250	245,075	(50,175)
Penalty and Interest	23,600	26,148	2,548
Tap Connection and Inspection Fees	10,660	25,129	14,469
Community Center Fees	84,250	63,818	(20,432)
Miscellaneous Revenues	111,120	289,672	178,552
<b>TOTAL REVENUES</b>	<u>\$ 4,926,317</u>	<u>\$ 5,058,344</u>	<u>\$ 132,027</u>
<b>EXPENDITURES</b>			
Services Operations:			
Personnel	\$ 394,010	\$ 404,672	\$ (10,662)
Professional Fees	86,600	109,321	(22,721)
Contracted Services	1,130,750	1,111,522	19,228
Purchased Wastewater Service	342,400	302,137	40,263
Utilities	350,590	319,981	30,609
Groundwater Reduction Costs	319,400	313,588	5,812
Repairs and Maintenance	717,000	678,116	38,884
Community Center	302,980	328,748	(25,768)
Other	214,340	237,301	(22,961)
Capital Outlay	900,000	676,790	223,210
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,758,070</u>	<u>\$ 4,482,176</u>	<u>\$ 275,894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 168,247</u>	<u>\$ 576,168</u>	<u>\$ 407,921</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In(Out)	<u>\$ -0-</u>	<u>\$ (506,324)</u>	<u>\$ (506,324)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 168,247	\$ 69,844	\$ (98,403)
<b>FUND BALANCE - JULY 1, 2018</b>	<u>7,252,459</u>	<u>7,252,459</u>	<u></u>
<b>FUND BALANCE - JUNE 30, 2019</b>	<u><u>\$ 7,420,706</u></u>	<u><u>\$ 7,322,303</u></u>	<u><u>\$ (98,403)</u></u>

See accompanying independent auditor's report.

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**MASON CREEK UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JUNE 30, 2019**





**MASON CREEK UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JUNE 30, 2019**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
$\leq 3/4$ "	<u>2,463</u>	<u>2,448</u>	x 1.0	<u>2,448</u>
1"	<u>50</u>	<u>46</u>	x 2.5	<u>115</u>
1 1/2"	<u>15</u>	<u>14</u>	x 5.0	<u>70</u>
2"	<u>40</u>	<u>40</u>	x 8.0	<u>320</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>9</u>	<u>9</u>	x 50.0	<u>450</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u><u>2,582</u></u>	<u><u>2,562</u></u>		<u><u>3,628</u></u>
Total Wastewater Connections	<u><u>2,360</u></u>	<u><u>2,341</u></u>	x 1.0	<u><u>2,341</u></u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND:**

Gallons pumped into system:	318,931,000	Water Accountability Ratio: 91% (Gallons billed/Gallons pumped)
Gallons billed to customers:	291,223,000	

See accompanying independent auditor's report.



**MASON CREEK UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2019**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>404,672</u>
PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	32,955
Legal	<u>59,116</u>
TOTAL PROFESSIONAL FEES	\$ <u>109,321</u>
PURCHASED WASTEWATER SERVICE	\$ <u>302,137</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 41,490
Operations and Billing	397,346
Tax Collector - Sales Tax Monitoring	<u>1,987</u>
TOTAL CONTRACTED SERVICES	\$ <u>440,823</u>
UTILITIES:	
Electricity	\$ 176,109
Telephone	<u>25,305</u>
TOTAL UTILITIES	\$ <u>201,414</u>
REPAIRS AND MAINTENANCE	\$ <u>678,116</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 23,400
Insurance	69,116
Office Supplies and Postage	31,768
Service Charges/Credit Card Fees	11,277
Travel and Meetings	10,912
Rent and Leases	13,248
Other	<u>27,825</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>187,546</u>

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL OUTLAY	\$ <u>676,790</u>
SOLID WASTE DISPOSAL	\$ <u>650,140</u>
STREET LIGHTS	\$ <u>118,567</u>
SECURITY	\$ <u>20,559</u>
COMMUNITY CENTER	\$ <u>328,748</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,137
Groundwater Reduction Costs	313,588
Permit Fees	6,381
Regulatory Assessment	<u>11,237</u>
TOTAL OTHER EXPENDITURES	\$ <u>363,343</u>
TOTAL EXPENDITURES	\$ <u><u>4,482,176</u></u>

Number of persons employed by the District    7 Full-Time    2 Part-Time

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**INVESTMENTS**  
**JUNE 30, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX0243	2.25%	09/08/20	\$ 243,074	\$ 1,708
Certificate of Deposit	XXXX9123	2.04%	09/09/19	508,110	3,152
Certificate of Deposit	XXXX1422	2.07%	12/16/19	1,250,000	7,373
Certificate of Deposit	XXXX7087	2.38%	07/21/19	250,000	5,575
Certificate of Deposit	XXXX0664	2.16%	08/01/19	1,000,000	8,581
Certificate of Deposit	XXXX8605	2.25%	10/07/19	1,052,759	17,262
Certificate of Deposit	XXXX9628	2.20%	06/19/20	392,425	260
Certificate of Deposit	XXXX9631	2.20%	06/19/20	418,587	278
TOTAL GENERAL FUND				<u>\$ 5,114,955</u>	<u>\$ 44,189</u>

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2018	\$	39,549	\$	3,826
Adjustments to Beginning				
Balance		<u>(16,559)</u>	\$	<u>(1,454)</u>
		\$	22,990	\$
				2,372
Original 2018 Tax Levy	\$	1,817,569	\$	161,962
Adjustment to 2018 Tax Levy		<u>56,361</u>	<u>1,873,930</u>	<u>5,022</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,896,920	\$
				169,356
TAX COLLECTIONS:				
Prior Years	\$	(1,011)	\$	26
Current Year		<u>1,849,778</u>	<u>1,848,767</u>	<u>164,832</u>
				<u>164,858</u>
TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$</u>	<u>48,153</u>	<u>\$</u>
				<u>4,498</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	24,152	\$	2,152
2017		6,454		589
2016		5,032		534
2015		3,439		365
2014		1,777		198
2013		1,681		239
2012		2,244		318
2011 and prior		<u>3,374</u>		<u>103</u>
TOTAL		<u>\$</u>	<u>48,153</u>	<u>\$</u>
				<u>4,498</u>

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2018	2017	2016	2015
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 189,462,463	\$ 189,483,570	\$ 188,095,696	\$ 184,944,479
Improvements	599,097,402	605,037,707	594,144,014	588,870,571
Personal Property	42,315,529	40,551,871	42,677,882	40,332,036
Exemptions	<u>(212,416,854)</u>	<u>(214,880,064)</u>	<u>(224,220,136)</u>	<u>(254,182,537)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 618,458,540</u>	<u>\$ 620,193,084</u>	<u>\$ 600,697,456</u>	<u>\$ 559,964,549</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.027	\$ 0.027	\$ 0.031	\$ 0.031
Maintenance	<u>0.303</u>	<u>0.296</u>	<u>0.292</u>	<u>0.292</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.330</u>	<u>\$ 0.323</u>	<u>\$ 0.323</u>	<u>\$ 0.323</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 2,040,914</u>	<u>\$ 2,003,223</u>	<u>\$ 1,940,253</u>	<u>\$ 1,808,685</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>98.71 %</u>	<u>99.65 %</u>	<u>99.71 %</u>	<u>99.79 %</u>

\* Based upon adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

\*\* Maintenance Tax - Unlimited tax rate per \$100 of assessed valuation approved by voters on May 1, 1999.

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2019**

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 105,000	\$ 61,926	\$ 166,926
2021	105,000	58,249	163,249
2022	110,000	55,025	165,025
2023	115,000	51,478	166,478
2024	120,000	47,600	167,600
2025	120,000	43,460	163,460
2026	125,000	39,050	164,050
2027	135,000	34,184	169,184
2028	140,000	28,856	168,856
2029	145,000	23,153	168,153
2030	150,000	17,069	167,069
2031	160,000	10,535	170,535
2032	165,000	3,547	168,547
	\$ 1,695,000	\$ 474,132	\$ 2,169,132

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED JUNE 30, 2019**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Mason Creek Utility District Unlimited Tax Bonds - Series 2011	<u>\$ 2,350,000</u>	<u>\$ 1,795,000</u>
Bond Authority:		Tax Bonds
Amount Authorized by Voters		\$ 21,999,000
Amount Issued		19,220,000
Remaining to be Issued		\$ 2,779,000
Debt Service Fund cash and investment balances as of June 30, 2019:		\$ 429,217
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 166,856

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ 100,000</u>	<u>\$ 66,025</u>	<u>\$ 1,695,000</u>	Wells Fargo Bank N.A. Dallas, TX

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 1,848,767	\$ 1,823,418	\$ 1,737,527
Water Service	1,173,294	1,286,332	1,303,251
Wastewater Service	1,074,650	1,093,110	1,126,350
Groundwater Reduction Fees	311,791	329,729	348,441
Sales Tax Revenues	245,075	269,026	263,465
Penalty and Interest	26,148	23,436	27,679
Tap Connection and Inspection Fees	25,129	21,241	11,253
Community Center Fees	63,818	77,596	74,231
Proceeds from Sale of Assets	34,600		18,000
Investment, FEMA and Miscellaneous Revenues	255,072	75,380	48,037
<b>TOTAL REVENUES</b>	<b>\$ 5,058,344</b>	<b>\$ 4,999,268</b>	<b>\$ 4,958,234</b>
<b>EXPENDITURES</b>			
Personnel	\$ 404,672	\$ 390,752	\$ 344,588
Professional Fees	109,321	128,061	55,539
Contracted Services	1,111,522	1,073,643	1,057,725
Purchased Wastewater Service	302,137	336,046	305,735
Utilities	319,981	330,054	356,751
Groundwater Reduction Costs	313,588	321,493	352,579
Repairs and Maintenance	678,116	733,564	663,950
Community Center	328,748	98,550	129,175
Other	237,301	238,007	216,129
Capital Outlay	676,790	1,832,840	989,242
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,482,176</b>	<b>\$ 5,483,010</b>	<b>\$ 4,471,413</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 576,168</b>	<b>\$ (483,742)</b>	<b>\$ 486,821</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ (506,324)	\$	\$
Developer Contributions		383,049	446,627
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (506,324)</b>	<b>\$ 383,049</b>	<b>\$ 446,627</b>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 69,844	\$ (100,693)	\$ 933,448
<b>BEGINNING FUND BALANCE</b>	7,252,459	7,353,152	6,419,704
<b>ENDING FUND BALANCE</b>	<b>\$ 7,322,303</b>	<b>\$ 7,252,459</b>	<b>\$ 7,353,152</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,621,302	\$ 1,510,565	36.6 %	36.4 %	35.0 %	33.9 %	33.5 %
1,242,085	1,165,792	23.2	25.7	26.3	26.0	25.8
1,108,874	1,051,536	21.2	21.9	22.7	23.2	23.4
331,564	312,240	6.2	6.6	7.0	6.9	6.9
307,281	308,296	4.8	5.4	5.3	6.4	6.9
31,129	29,252	0.5	0.5	0.6	0.7	0.7
11,121	11,332	0.5	0.4	0.2	0.2	0.3
78,799	71,455	1.3	1.6	1.5	1.6	1.6
		0.7		0.4		
<u>52,152</u>	<u>39,254</u>	<u>5.0</u>	<u>1.5</u>	<u>1.0</u>	<u>1.1</u>	<u>0.9</u>
<u>\$ 4,784,307</u>	<u>\$ 4,499,722</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 283,509	\$ 265,700	8.0 %	7.8 %	6.9 %	5.9 %	5.9 %
103,095	74,478	2.2	2.6	1.1	2.2	1.7
1,063,428	1,016,268	22.0	21.5	21.3	22.2	22.6
302,249	331,796	6.0	6.7	6.2	6.3	7.4
344,704	336,361	6.3	6.6	7.2	7.2	7.5
340,576	310,755	6.2	6.4	7.1	7.1	6.9
436,680	350,398	13.4	14.7	13.4	9.1	7.8
210,854	212,770	6.5	2.0	2.6	4.4	4.7
236,551	199,384	4.7	4.8	4.4	4.9	4.5
<u>418,836</u>	<u>339,491</u>	<u>13.4</u>	<u>36.7</u>	<u>20.0</u>	<u>8.8</u>	<u>7.5</u>
<u>\$ 3,740,482</u>	<u>\$ 3,437,401</u>	<u>88.7 %</u>	<u>109.8 %</u>	<u>90.2 %</u>	<u>78.1 %</u>	<u>76.5 %</u>
\$ 1,043,825	\$ 1,062,321	11.3 %	(9.8) %	9.8 %	21.9 %	23.5 %
\$	\$ 99,399					
<u>\$ - 0 -</u>	<u>\$ 99,399</u>					
\$ 1,043,825	\$ 1,161,720					
<u>5,375,879</u>	<u>4,214,159</u>					
<u>\$ 6,419,704</u>	<u>\$ 5,375,879</u>					

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 164,858	\$ 166,502	\$ 184,474
Penalty and Interest	15,439	14,866	8,008
Investment and Miscellaneous Revenues	1,783	1,442	421
<b>TOTAL REVENUES</b>	<b>\$ 182,080</b>	<b>\$ 182,810</b>	<b>\$ 192,903</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 60,607	\$ 60,111	\$ 55,382
Debt Service Principal	100,000	100,000	95,000
Debt Service Interest and Fees	66,575	70,575	74,475
<b>TOTAL EXPENDITURES</b>	<b>\$ 227,182</b>	<b>\$ 230,686</b>	<b>\$ 224,857</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (45,102)</b>	<b>\$ (47,876)</b>	<b>\$ (31,954)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 506,324	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	\$ 461,222	\$ (47,876)	\$ (31,954)
<b>BEGINNING FUND BALANCE (DEFICIT)</b>	(48,856)	(980)	30,974
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$ 412,366</b>	<b>\$ (48,856)</b>	<b>\$ (980)</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	2,562	2,550	2,540
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	2,341	2,337	2,317

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 172,036	\$ 168,147	90.5 %	91.1 %	95.6 %	75.0 %	93.8 %
13,258	10,459	8.5	8.1	4.2	5.8	5.8
43,964	718	1.0	0.8	0.2	19.2	0.4
<u>\$ 229,258</u>	<u>\$ 179,324</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,773	\$ 56,157	33.3 %	32.9 %	28.7 %	23.0 %	31.3 %
95,000	90,000	54.9	54.7	49.2	41.4	50.2
78,275	81,975	36.6	38.6	38.6	34.1	45.7
<u>\$ 226,048</u>	<u>\$ 228,132</u>	<u>124.8 %</u>	<u>126.2 %</u>	<u>116.5 %</u>	<u>98.5 %</u>	<u>127.2 %</u>
\$ 3,210	\$ (48,808)	<u>(24.8) %</u>	<u>(26.2) %</u>	<u>(16.5) %</u>	<u>1.5 %</u>	<u>(27.2) %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 3,210	\$ (48,808)					
27,764	76,572					
<u>\$ 30,974</u>	<u>\$ 27,764</u>					
2,531	2,526					
<u>2,341</u>	<u>2,333</u>					

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2019**

District Mailing Address - Mason Creek Utility District  
847 Dominion  
Katy, TX 77450

District Telephone Number - (281) 578-7272

<b>Board Members:</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Len Forsyth	05/18 05/22 (Elected)	\$ 7,200	\$ 1,089	President
James Hamblet III	05/16 05/20 (Elected)	\$ 3,150	\$ -0-	Vice President
Brian C. Connolly	05/16 05/20 (Elected)	\$ 3,750	\$ -0-	Secretary/Treasurer
John H. Cameron	05/16 05/20 (Elected)	\$ 6,750	\$ 2,614	Assistant Secretary/ Assistant Treasurer
Robert J. Wills	05/18 05/22 (Elected)	\$ 2,550	\$ -0-	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 31, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2019**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
James L. Dougherty	08/1984	\$ 58,883	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/2013	\$ 17,250	Auditor
Municipal Accounts & Consulting LP	12/2011	\$ 45,120	Bookkeeper
Hal R. Gordon	08/1984	\$ 3,881	Delinquent Tax Attorney
Susan Saccomen	07/2002	\$ 71,463	District Office Manager
Venturi Engineers, LLC	01/2017	\$ 119,835	Engineer
Blitch Associates, Inc.	10/2010	\$ -0-	Financial Advisor
James Parrott Utility Operations, Inc.	07/1981 to 06/2019	\$ 452,017	Operator
Bob Leared Interest	06/1995	\$ 36,932	Tax Collector/ Sales Tax Consultant

See accompanying independent auditor's report.

# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Noel W. Barfoot of the  
(Name of Duly Authorized District Representative)  
Mason Creek Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 16th day of October, 2019, its annual audit report for the fiscal year or period ended June 30, 2019 and that copies of the annual audit report have been filed in the district office, located at

847 Dominion – Katy, TX 77450

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

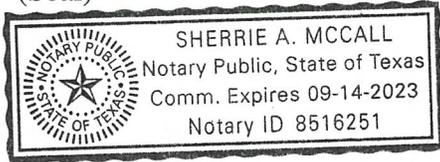
Date: October 31, 2019

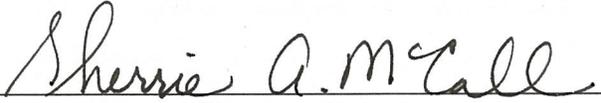
By:   
(Signature of District Representative)

Noel W. Barfoot, Auditor  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 31st day of October, 2019.

(Seal)



  
(Signature of Notary)

My Commission Expires On: September 14, 2023.  
Notary Public in the State of Texas.

**Michael A. Cole, P.C.**

Attorney At Law

5120 Bayard Lane

Houston, Texas 77006-6512

Fax

713-880-1417

Phone

713-880-3800

mac@maclawpc.com

August 10, 2011

WE HAVE ACTED AS BOND COUNSEL for Mason Creek Utility District of Harris County, Texas (the "District"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows: MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS UNLIMITED TAX BONDS, SERIES 2011, aggregating \$2,350,000 in principal amount, dated August 1, 2011.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the District and other public officials. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement, dated June 29, 2011, has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, including, without limitation, the Bond Resolution, together with customary certificates of officers, agents and representatives of the District, and other certified showings relating to the authorization and issuance of the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the District has been validly created and organized; the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; and, therefore, the Bonds are valid and legally binding obligations of the District, and all taxable property in the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount.

The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions generally.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County or any other entity.

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.
- (2) The difference between the amount payable at maturity of each Bond maturing in 2020 - 2031 (the "Original Issue Discount Bonds") and the "issue price" of such Bond, within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), is excludable from gross income for federal income tax purposes as original issue discount under existing law.
- (3) The Bonds are not "private activity bonds" within the meaning of the Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively which we have not independently verified, and have assumed continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the District fails to comply with the foregoing covenants of the Bond Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

In the Bond Resolution the District has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

Purchasers of Original Issue Discount Bonds in the initial public offering are directed to the discussion entitled "Tax Accounting Treatment of Discount on Certain Bonds" set forth in the Official Statement prepared for use in connection with the sale of the Bonds for purposes of determining the portion of the original issue discount described in paragraph (2) above which is allocable to the period such Bonds are held by a holder. The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Bond Resolution 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.

A handwritten signature in black ink, appearing to be the initials 'MOR' or similar, written in a cursive style.



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

August 4, 2011

THIS IS TO CERTIFY that Mason Creek Municipal Utility District of Harris County, Texas (the "Issuer"), has submitted to me Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2011 (the "Bonds"), in the aggregate principal amount of \$2,350,000, for approval. The Bonds are dated August 1, 2011, numbered I-1-12 through I-1-19, I-1-21, I-1-23, I-1-25, I-1-27, I-1-29 and I-1-31 were authorized by an Order of the Issuer passed on June 29, 2011.

I have examined the law and such certified proceedings and other papers as I deem necessary to render this opinion.

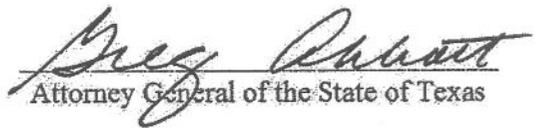
As to questions of fact material to my opinion, I have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to me without undertaking to verify the same by independent investigation.

I express no opinion relating to the official statement or any other offering material relating to the Bonds.

Based on my examination, I am of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bonds have been issued in accordance with law and are valid and binding obligations of the Issuer.
- (2) The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the Issuer.

Therefore, the Bonds are approved.

  
Attorney General of the State of Texas

No. 52337  
Book No. 2011-C  
MAR

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2011

numbered I-1-12/I-1-19;I-1-21;I-1-23;I-1-25;I-1-27;I-1-29 and I-1-31, of the denomination of \$ various, dated August 1, 2011, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 4th day of August 2011, under Registration Number 78786.

Given under my hand and seal of office, at Austin, Texas, the 4th day of August 2011.



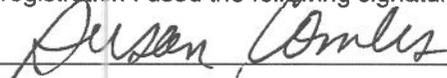
SUSAN COMBS  
Comptroller of Public Accounts  
of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

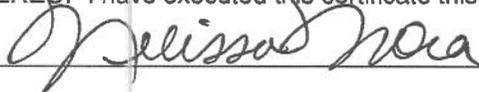
I, Melissa Mora,  Bond Clerk  Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 4th day of August 2011, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2011,

numbered I-1-12/I-1-19;I-1-21;I-1-23;I-1-25;I-1-27;I-1-29 and I-1-31, dated August 1, 2011, and that in signing the certificate of registration I used the following signature:

  
\_\_\_\_\_

IN WITNESS WHEREOF I have executed this certificate this the 4th day of August 2011.

  
\_\_\_\_\_

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 78786.

GIVEN under my hand and seal of office at Austin, Texas, this the 4th day of August 2011.



Susan Combs  
Comptroller of Public Accounts  
of the State of Texas

## FEDERAL TAX CERTIFICATE

I, the undersigned officer of Mason Creek Utility District of Harris County, Texas (the "Issuer" or the "District"), make this certification for the benefit of all persons interested in the exclusion from gross income for federal income tax purposes of the interest to be paid on the Issuer's Unlimited Tax Bonds, Series 2011 (the "Bonds") which are being issued in the aggregate principal amount of \$2,350,000 and delivered simultaneously with the delivery of this Certificate. I do hereby certify as follows in good faith as of the date hereof (the "Issue Date"):

1. Definitions. Each capitalized term used in this Certificate has the meaning or is the amount, as the case may be, specified for such term in this Certificate or in Exhibits to this Certificate and shall for all purposes hereof have the meaning or be the amount therein specified. All such terms defined in the Code or Regulations shall for all purposes hereof have the same meanings as given to those terms in the Code and Regulations unless the context clearly requires otherwise.

2. Responsible Officer. I am the duly chosen, qualified and acting officer of the Issuer for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this Certificate on behalf of the Issuer. I am the officer of the Issuer charged, along with other officers of the Issuer, with responsibility for issuing the Bonds.

3. Code and Regulations. I am aware of the provisions of sections 141, 148, 149 and 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations (the "Regulations") heretofore promulgated under sections 141, 148, 149 and 150 of the Code. This Certificate is being executed and delivered pursuant to sections 1.141-1 through 1.141-15, 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2 of the Regulations.

4. Reasonable Expectations. The facts and estimates that are set forth in this Certificate are accurate. The expectations that are set forth in this Certificate are reasonable in light of such facts and estimates. There are no other facts or estimates that would materially change such expectations. In connection with this Certificate, the undersigned has to the extent necessary reviewed the certifications set forth herein with other representatives of the Issuer as to such accuracy and reasonableness. The undersigned has also relied, to the extent appropriate, on representations set forth in the Issue Price Certificate of Sterne, Agee & Leach, Inc. in its capacity as underwriter of the Bonds (the "Underwriter"), attached as Exhibit A to this Certificate, and the certificate of Blich Associates, Inc., in its capacity as financial advisor to the issuer (the "Financial Advisor"), attached as Exhibit B to this Certificate. The undersigned is aware of no fact, estimate or circumstance that would create any doubt regarding the accuracy or reasonableness of all or any portion of such documents.

5. Description of Governmental Purpose. The Issuer is issuing the Bonds pursuant to the resolution, order or ordinance, as the case may be, adopted by the Issuer for purposes of authorizing the issuance of the Bonds (the "Bond Document") for the purposes of funding (a) the Project as described more fully in the section entitled "Use of Proceeds" in the Official Statement prepared in connection with the offering of the Bonds and (b) the costs of issuance of the Bonds. The primary

purpose of each transaction undertaken in connection with the issuance of the Bonds is a bona fide governmental purpose. The Project is described as follows: a capital contribution to the West Harris County Regional Water Authority for surface water supply and distribution facilities and sanitary sewer system improvements to serve and/or benefit the Issuer.

6. Amount and Expenditure of Sale Proceeds of the Bonds.

(a) Amount of Sale Proceeds. The Issuer sold the Bonds to the Underwriter for \$2,286,915.10, which price does not include Pre-Issuance Accrued Interest. The Sale Proceeds from the issuance of the Bonds is \$2,374,502.60, based on the amount set forth on Exhibit A hereto. Such amount represents the Stated Redemption Price at Maturity (excluding Pre-Issuance Accrued Interest for those Bonds the interest on which is paid at least once annually) of the Bonds, plus any Original Issue Premium, less any Original Issue Discount. No portion of the purchase price of any of the Bonds is provided by the issuance of any other issue of obligations.

(b) Expenditure of Sale Proceeds. The Sale Proceeds of the Bonds will be expended as follows:

(i) The amount of \$63,084.90 will be allocated on the date of issuance of the Bonds to the payment of Underwriter's discount or compensation.

(ii) The amount of \$-0- will be allocated on the date of issuance of the Bonds to the payment of Bond Insurance Premium on the Bonds (net of any rating agency fees).

(iii) The amount of \$196,690.10 will be disbursed to pay other Issuance Costs on the Bonds.

(iv) The amount of \$ 90,225 will be deposited in the Debt Service Fund as capitalized interest.

(v) The amount of \$2,000,000.00 will be deposited in the Construction or Project Fund and is expected to be disbursed to pay or reimburse the costs of acquisition and construction of the Project. The aggregate amount of the costs of acquisition and construction of the Project is anticipated to be not less than such amount. Any costs of the Project not financed out of original or investment proceeds of the Bonds will be financed out of the Issuer's available funds.

(c) Reimbursement. Other than to the extent of preliminary expenditures (i.e., architectural, engineering, surveying, soil testing, Bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of the Project, other than land acquisition, site preparation, and similar costs incident to commencement of construction), no portion of the amount described in paragraph 6(b) above will be disbursed to reimburse the Issuer for any expenditures made by the Issuer prior to the date that is 60 days before the earlier of the Issue Date or the date the Issuer adopted a resolution (the "Declaration"), if any, describing the Project, stating the maximum principal amount of obligations expected to be issued for the Project, and

stating the Issuer's reasonable expectation on that date that it would reimburse expenditures for costs of the Project with proceeds of an obligation. The Declaration, if any, is not an official intent to reimburse that was declared as a matter of course, or in an amount substantially in excess of the amount expected to be necessary for the Project. The Issuer has not engaged in a pattern of failure to reimburse original expenditures covered by official intents. Such reimbursed portion will be treated as spent for purposes of paragraphs 11(b) and 15 below. Any such Declaration is attached hereto as Exhibit C.

(d) No Working Capital. Except for an amount that does not exceed 5 percent of the Sale Proceeds of the Bonds (and that is directly related to capital expenditures financed by the Bonds), the Issuer will only expend proceeds of the Bonds for (i) costs that would be chargeable to the capital accounts of the Project if the Issuer's income were subject to federal income taxation and (ii) interest on the Bonds in an amount that does not cause the aggregate amount of interest paid on all of the Bonds to exceed that amount of interest on the Bonds that is attributable to the period that commences on the date hereof and ends on the later of (A) the date that is three years from the Issue Date of the Bonds or (B) the date that is one year after the date on which the Project is placed in service.

(e) No Sale of Conduit Loan. No portion of the sale proceeds of the Bonds has been or will be used to acquire, finance, or refinance any conduit loan.

(f) No Overissuance. The proceeds of the Bonds will not exceed by more than a minor portion (as defined in paragraph 13 below) the amount necessary to accomplish the governmental purposes of the Bonds and, in fact, are not expected to exceed by any amount the amount of proceeds allocated to expenditures for the governmental purposes of the Bonds.

(g) Allocations and Accounting. The proceeds of the Bonds will be allocated to expenditures not later than 18 months after the later of the date the expenditure is made or the date the Project is placed in service, but in no event later than the date that is 60 days after the fifth anniversary of the date hereof or the retirement of the last Bond, if earlier. The allocation of proceeds will be made by consistently employing the direct-tracing method of accounting. No proceeds of the Bonds will be allocated to any expenditures to which proceeds of any other obligations have heretofore been allocated. The Issuer will maintain records and documentation regarding the allocation of expenditures to proceeds of the Bonds and the investment of gross proceeds of the Bonds for at least six years after the close of the final calendar year during which any Bond is outstanding.

7. Pre-Issuance Accrued Interest. The Issuer will also receive from the Underwriter on the Issue Date of the Bonds Pre-Issuance Accrued Interest from the Dated Date through the Issue Date in the amount of \$2,255.64. Such amount will be deposited in the Debt Service Fund, and will be disbursed on the first interest payment date for the Bonds.

8. Expenditure of Investment Proceeds. The best estimate of the Issuer is that Investment Proceeds resulting from the investment of any proceeds of the Bonds pending expenditure of such proceeds for costs of the Project will be retained in the Construction Fund and disbursed to pay or

reimburse Project costs in addition to those described in paragraph 6 above.

9. No Replacement Proceeds. Other than amounts described herein, there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purposes of the Bonds, other than solely by reason of the mere availability or preliminary earmarking, that the amounts would have been used for such purpose if the proceeds of the Bonds were not used or to be used for such purpose.

(a) No Sinking Funds. Other than to the extent described herein, there is no debt service fund, redemption fund, reserve fund, replacement fund, or similar fund reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

(b) No Pledged Funds. Other than amounts described herein, there is no amount that is directly or indirectly pledged to pay principal or interest on the Bonds, or to a guarantor of part or all of the Bonds, such that such pledge provides reasonable assurance that such amount will be available to pay principal or interest on the Bonds if the Issuer encounters financial difficulty. For purposes of this certification, an amount is treated as so pledged if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders or the guarantor of the Bonds.

(c) No Other Replacement Proceeds. There are no other replacement proceeds allocable to the Bonds because the Issuer reasonably expects that the term of the Bonds will not be longer than is reasonably necessary for the governmental purposes of the Bonds. The Bonds would be issued to achieve the governmental purpose of the Bonds independent of any arbitrage benefit as evidenced by the expectation that the Bonds reasonably would have been issued if the interest on the Bonds were not excludable from gross income (assuming that the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate).

(d) Weighted Average Economic Life. The Weighted Average Maturity of the Bonds will not be greater than 120 percent of the weighted average estimated economic life of the portion of the Project financed, determined in accordance with section 147(b) of the Code. Such weighted average estimated economic life is determined in accordance with the following assumptions: (a) The weighted average was determined by taking into account the respective costs of each asset financed by the Bonds, (b) the reasonably expected economic life of an asset was determined as of the later of the date hereof or the date on which such asset is expected to be placed in service (i.e., available for use for the intended purposes of such asset); (c) the economic lives used in making this determination are not greater than the useful lives used for depreciation under section 167 of the Code prior to the enactment of the current system of depreciation in effect under section 168 of the Code (i.e., the "mid-point lives") under the asset depreciation range ("ADR") system of section 167(m) of the Code, as set forth in Revenue Procedure 83-35, 1983-1 C.B. 745, where applicable, and the "guideline lives" under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case of structures; and (d) land or any interest therein has not been taken into account in determining the average reasonably expected economic life of such Project, unless 25 percent or more of the net proceeds of the Bonds is to be used to finance land.

10. Yield on the Bonds. For the purposes of this Certificate, the Yield on the Bonds is the discount rate that, when used in computing the present value as of the Issue Date of the Bonds, of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate Issue Price of the Bonds as of the Issue Date. For purposes of determining the yield on the Bonds, the Issue Price of the Bonds is the sum of the issue prices for each group of substantially identical Bonds, plus Pre-Issuance Accrued Interest. For each group of substantially identical Bonds, the issue price is the first price at which a substantial amount (i.e., ten percent) is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters and wholesalers). The Issue Price is based upon the representations of the Underwriter set forth in Exhibit A hereto. No Underwriter's discount, issuance costs, or costs of carrying or repaying the Bonds is taken into account for purposes of computing the yield on the Bonds.

The Yield with respect to that portion of the Bonds, if any, subject to optional redemption is computed by treating such Bonds as retired at the stated redemption price at the final maturity date because (a) the Issuer has no present intention to redeem prior to maturity the Bonds that are subject to optional redemption; (b) no Bond is subject to optional redemption at any time for a price less than the retirement price at final maturity plus accrued interest; (c) no Bond is subject to optional redemption within five years of the Issue Date of the Bonds; (d) the lowest yield on the Bonds is computed by treating the Yield-to-Call Bonds as retired on their stated maturity dates; and (e) no Bond subject to optional redemption bears interest at a rate that increases during the term of the Bond.

The Yield on the Bonds is calculated in the manner set forth above.

11. Temporary Periods and Yield Restriction.

(a) Pre-Issuance Accrued Interest. The amount described in paragraph 7 represents Pre-Issuance Accrued Interest on the Bonds for a period not in excess of one year and will be expended within one year; therefore, such amount may be invested at an unrestricted yield.

(b) Project. The Issuer has incurred or will incur within six months of the date hereof a binding obligation to a third party which is not subject to any contingencies within the control of the Issuer or a related party pursuant to which the Issuer is obligated to expend at least five percent of the sale proceeds of the Bonds on the Project. The Issuer reasonably expects that work on or acquisition of the Project will proceed with due diligence to completion and that the proceeds of the Bonds will be expended on the Project with reasonable dispatch. The Issuer reasonably expects that 85 percent of the Sale Proceeds of the Bonds will have been expended on the Project prior to the date that is three years after the Issue Date. Any Sale Proceeds not expended prior to the date that is three years after the Issue Date, will be invested at a yield not "materially higher" than the Yield on the Bonds, except as set forth in paragraph 13 below. The Issuer reasonably expects that any amount derived from the investment of moneys received from the sale of the Bonds and from the investment of such investment income will not be commingled with substantial other receipts or revenues of the Issuer and will be expended prior to the date that is three years after the Issue Date, or one year after

receipt of such investment income, whichever is later. Any such investment proceeds not expended prior to such date will be invested at a yield not "materially higher" than the Yield on the Bonds, except as set forth in paragraph 13 below.

12. Debt Service Fund. Pursuant to the Bond Document, the Issuer has created or continued, as the case may be, a debt service fund (the "Debt Service Fund") and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds are to be deposited in such Fund. The Issuer expects that taxes levied, assessed and collected for and on account of the Bonds will be sufficient each year to pay such debt service. All amounts which will be depleted at least once each bond year, except for a reasonable carryover amount not in excess of the greater of the earnings on such portion of the Fund for the immediately preceding bond year or one-twelfth of the principal and interest payments on the Bonds for the immediately preceding bond year, will constitute a bona fide debt service fund component of the Debt Service Fund (the "Bona Fide Portion"). Such Bona Fide Portion of the Debt Service Fund will be used primarily to achieve a proper matching of revenues and principal and interest payments on the Bonds within each bond year. Amounts held in the Bona Fide Portion of the Debt Service Fund will be invested at an unrestricted yield because such amounts will be expended within 13 months of the date such amounts are received. The remaining portion of the Debt Service Fund (the "Reserve Portion"), if any, will be treated separately for purposes of this Certificate. Amounts on deposit from time to time in the Bona Fide Portion and the Reserve Portion are allocable between the Bonds and any other obligations of the Issuer secured by the Debt Service Fund on the basis of one of the methods set forth in section 1.148-6(e)(6) of the Regulations. The portion of the Reserve Portion allocable to the Bonds will not exceed at any time the least of (a) ten percent of the stated principal amount of the Bonds (or sale proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the maximum annual principal and interest requirements of the Bonds, and (c) 125 percent of average annual principal and interest requirements of the Bonds. Therefore, all amounts therein may be invested at an unrestricted yield. Any amounts held in the Bona Fide Portion for longer than 13 months or held in the Reserve Portion in excess of the least of the amounts described above, will be invested in obligations the yield on which is not in excess of the Yield on the Bonds, except as set forth in paragraph 13 below.

13. Minor Portion. All gross proceeds will be invested in accordance with paragraphs 11 and 12 above. To the extent such amounts remain on hand following the periods set forth in paragraphs 11 and 12 above or exceed the limits set forth in paragraph 12 above, the Issuer will invest such amounts at a restricted yield as set forth in such paragraphs; provided, however, that a portion of such amounts, not to exceed in the aggregate the lesser of \$100,000 or five percent of the sale proceeds of the Bonds (the "Minor Portion"), may be invested at a yield which is higher than the Yield on the Bonds.

14. Issue. There are no other obligations that (a) are sold at substantially the same time as the Bonds (i.e., within 15 days), (b) are sold pursuant to the same plan of financing with the Bonds, and (c) will be paid out of substantially the same source of funds as the Bonds.

15. Compliance With Rebate Requirements. The Issuer has covenanted in the Bond Document that it will take all necessary steps to comply with the requirement that "rebateable arbitrage earnings" on the investment of the "gross proceeds" of the Bonds, within the meaning of section 148(f) of the Code be rebated to the federal government. Specifically, the Issuer will (a) maintain records regarding the investment of the "gross proceeds" of the Bonds as may be required to calculate such "rebateable arbitrage earnings" separately from records of amounts on deposit in the funds and accounts of the Issuer which are allocable to other bond issues of the Issuer or moneys which do not represent "gross proceeds" of any bonds of the Issuer, (b) calculate at such intervals as may be required by applicable Regulations, the amount of "rebateable arbitrage earnings," if any, earned from the investment of the "gross proceeds" of the Bonds and (c) pay, not less often than every fifth anniversary date of the delivery of the Bonds and within 60 days following the final maturity of the Bonds, or on such other dates required or permitted by applicable Regulations, all amounts required to be rebated to the federal government. The Issuer will maintain a copy of any such calculations, and all documentation necessary to produce such calculations or necessary to establish qualification for an exemption from the need to produce such calculations, for at least six years after the close of the final calendar year during which any Bond is outstanding. Further, the Issuer will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the "gross proceeds" of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's-length and had the yield on the issue not been relevant to either party.

16. Not an Abusive Transaction.

(a) General. No action taken in connection with the issuance of the Bonds will enable the Issuer to (i) exploit, other than during an allowable temporary period, the difference between tax-exempt and taxable interest rates to obtain a material financial advantage (including as a result of an investment of any portion of the gross proceeds of the Bonds over any period of time, notwithstanding that, in the aggregate, the gross proceeds of the Bonds are not invested in higher yielding investments over the term of the Bonds), and (ii) issue more bonds, issue bonds earlier, or allow bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds. To the best of our knowledge, no actions have been taken in connection with the issuance of the Bonds other than actions that would have been taken to accomplish the governmental purposes of the Bonds if the interest on the Bonds were not excludable from gross income for federal income tax purposes (assuming the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate on the Bonds).

(b) No Sinking Fund. No portion of the Bonds has a term that has been lengthened primarily for the purpose of creating a sinking fund or similar fund with respect to the Bonds.

(c) No Window. No portion of the Bonds has been structured with maturity dates the primary purpose of which is to make available released revenues that will enable the Issuer to avoid transferred proceeds or to make available revenues that may be invested to be ultimately used to pay

debt service on another issue of obligations.

17. No Arbitrage. On the basis of the foregoing facts, estimates and circumstances, it is expected that the gross proceeds of the Bonds will not be used in a manner that would cause any of the Bonds to be an "arbitrage bond" within the meaning of section 148 of the Code and the Regulations. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change such expectations.

18. No Private Use, Payments or Loan Financing.

(a) General. The Issuer reasonably expects, as of the date hereof, that no action or event during the entire stated term of the Bonds will cause either the "private business tests" or the "private loan financing test," as such terms are defined in the Regulations, to be met.

(i) No portion of the proceeds of the Bonds will be used in a trade or business of a nongovernmental person. For purposes of determining use, the Issuer will apply rules set forth in applicable Regulations and Revenue Procedures promulgated by the Internal Revenue Service, including, among others, the following rules: (A) Any activity carried on by a person other than a natural person or a state or local governmental unit will be treated as a trade or business of a nongovernmental person; (B) the use of all or any portion of the Project is treated as the direct use of proceeds; (C) a nongovernmental person will be treated as a private business user of proceeds of the Bonds as a result of ownership, actual or beneficial use pursuant to a lease, or a management or incentive payment contract, or certain other arrangements such as a take-or-pay or other output-type contract; and (D) the private business use test is met if a nongovernmental person has special legal entitlements to use directly or indirectly the Project. The Issuer and each developer that may use any portion of the Project during an initial development period reasonably expect on the date hereof to proceed with all reasonable speed to develop each portion of the Project and the property benefited by that portion of the Project and to transfer each such portion of the Project to a governmental person. Each such portion of the Project will in fact be transferred to a governmental person promptly after the property benefited by each such portion of the Project is developed.

(ii) The Issuer has not taken and will not take any deliberate action that would cause or permit the use of any portion of the Project to change such that such portion will be deemed to be used in the trade or business of a nongovernmental person for so long as any of the Bonds remains outstanding (or until an opinion of nationally recognized bond counsel is received to the effect that such change in use will not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds). For this purpose, any action within the control of the Issuer is treated as a deliberate action. A deliberate action occurs on the date the Issuer enters into a binding contract with a nongovernmental person for use of the Project that is not subject to any material contingencies.

(iii) All payments of the debt service on the Bonds will be paid from and secured by a generally applicable tax. For this purpose, a generally applicable tax is a tax (A) that is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental purposes and (B) that has a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction using a generally applicable manner of determination and collection. No portion of the payment of the debt service on the Bonds will be directly or indirectly derived from payments (whether or not to the Issuer or any related party) in respect of property, or borrowed money, used or to be used for a private business use. Furthermore, no portion of the payment of the debt service on the Bonds will be directly or indirectly secured by any interest in property used or to be used for a private business use or payments in respect of property used or to be used for a private business use.

(iv) No portion of the proceeds of the Bonds will be directly or indirectly used to make or finance a loan to any person other than a state or local governmental unit. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Issuer shall not use gross proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, gross proceeds are considered to be “loaned” to a person or entity if (1) property acquired, constructed or improved with gross proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such gross proceeds or such property are otherwise transferred in a transaction which is the economic equivalent of a loan.

(b) Dispositions of Personal Property in the Ordinary Course. The Issuer does not reasonably expect that it will sell or otherwise dispose of personal property components of the Project financed with the Bonds other than in the ordinary course of an established governmental program that satisfies the following requirements:

(i) The weighted average maturity of the portion of the Bonds financing personal property is not greater than 120 percent of the reasonably expected actual use of such personal property for governmental purposes;

(ii) The reasonably expected fair market value of such personal property on the date of disposition will be not greater than 25 percent of its cost;

(iii) Such personal property will no longer be suitable for its governmental purposes on the date of disposition; and

(iv) The Issuer is required to deposit amounts received from such disposition in a commingled fund with substantial tax or other governmental revenues and the Issuer reasonably expects to spend such amounts on governmental programs within 6 months from

the date of commingling.

Furthermore, the Issuer will not sell or otherwise dispose of all or any portion of the Project in circumstances in which the foregoing requirements are not satisfied unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

(c) Other Agreements. The Issuer will not enter into any agreement with any nongovernmental person regarding the use of all or any portion of the Project during the stated term of the Bonds unless it has received in each and every case an opinion of nationally recognized bond counsel to the effect that such agreement will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

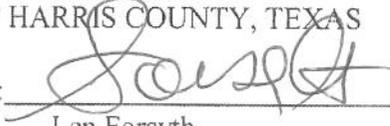
19. Weighted Average Maturity. The Weighted Average Maturity of the Bonds set forth on Exhibit B attached to this Certificate is the sum of the products of the Issue Price of each group of identical Bonds and the number of years to maturity (determined separately for each group of identical Bonds and taking into account mandatory redemptions), divided by the aggregate Sale Proceeds of the Bonds.

20. Bonds are Not Hedge Bonds. Not more than 50 percent of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code. Further, the Issuer reasonably expects that at least 85 percent of the spendable proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date the Bonds are issued.

WITNESS MY HAND, this 10<sup>th</sup> day of August, 2011.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

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

  
Len Forsyth

Title: President, Board of Directors

CERTIFICATE OF UNDERWRITER

The undersigned hereby certifies with respect to the sale of \$2,350,000 Mason Creek Utility District of Harris County, Texas (the "Issuer") Unaffiliated Tax Bonds, Series 2011 (the "Bonds"):

- The undersigned is the underwriter or the manager of the syndicate of underwriters (the "Underwriters") which has purchased the Bonds from the Issuer at a competitive sale. In this capacity, the undersigned is familiar with the facts stated herein.
- The term "Initial Offering Prices" means the respective initial offering prices for the Bonds (expressed as a dollar amount, yield percentage of principal amount and exclusive of accrued interest) as set forth in the following table:

Due Aug 1	Principal Amount	Coupon	Yield	Price	Due Aug 1	Principal Amount	Coupon	Yield	Price
2012	\$85,000	4 %	1.00 %	\$102.903	2022	\$115,000	3.30 %	3.12 %	\$98.056
2013	90,000	%	1.14 %	\$105.347	2023	120,000	↓ %	↓ %	↓
2014	90,000	%	1.12 %	\$107.077	2024	120,000	3.60 %	3.14 %	\$98.379
2015	95,000	%	1.24 %	\$108.603	2025	125,000	↓ %	↓ %	↓
2016	95,000	%	2 %	\$109.425	2026	135,000	3.75 %	4.18 %	\$97.095
2017	100,000	%	2.12 %	\$109.276	2027	140,000	↓ %	↓ %	↓
2018	100,000	%	2.14 %	\$107.883	2028	145,000	4.12 %	4.14 %	\$98.438
2019	105,000	↓ %	3 %	\$107.642	2029	150,000	↓ %	↓ %	↓
2020	105,000	3 %	3.14 %	\$99.884	2030	160,000	4.30 %	4.40 %	\$98.678
2021	110,000	↓ %	↓ %	↓	2031	165,000	↓ %	↓ %	↓

- The term "Sale Date" means the first day on which there was a binding contract in writing for the sale of the Bonds by the Issuer to the Underwriters on specific terms that were not later modified or adjusted in any material respect. In the case of the Bonds, the Sale Date is June 29, 2011.
- The term "Issue Date" means the first day on which there is a physical delivery of the written evidences of the Bonds in exchange for the purchase price (but not earlier than the day interest on the Bonds begins to accrue for federal income tax purposes). In the case of the Bonds, the Issue Date is August 10, 2011.
- The term "Public," as used herein, does not include bond houses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
- Based on the actual facts and reasonable expectations in existence on the Sale Date, the Initial Offering Price for each Bond:
  - Represents the price (payable in cash, with no other consideration being included, and exclusive of accrued interest) at which the Underwriters reasonably expected, as of the Sale Date, each such Bond would be sold to the Public; and
  - Was neither greater nor less than an amount the Underwriters believed to be the respective fair market value of each such Bond.
- The Underwriters have purchased the Bonds for contemporaneous sale to the Public and not for investment for their own account. Except as specified below, each of the Bonds has actually been offered to the Public at its respective Initial Offering Price in a bona fide offering of all the Bonds and, as of the Issue Date, a substantial amount of the Bonds of each maturity (at least 10 percent) has been sold to the Public in arm's length transactions for cash prices (with no other consideration being included). Of the Bonds sold, none were sold at prices other than the respective Initial Offering Prices for such Bonds, plus accrued interest.

EXHIBIT "A" (Pg 2 of 2)

8. In the case of Underwriters retained maturities at the time of closing, the Underwriters reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each retained maturity at the initial offering price/yield as set forth below:

Due Aug 1	Principal Amount	Coupon	Yield	Price	Due Aug 1	Principal Amount	Coupon	Yield	Price
2012	\$85,000	3/2	3%	\$	2022	\$115,000	3%	3%	\$
2013	90,000	3/4	3%	\$	2023	120,000	3.30%	3.50%	\$98.056
2014	90,000	3/4	3%	\$	2024	120,000	3%	3%	\$
2015	95,000	3/4	3%	\$	2025	125,000	3.60%	3.95%	\$98.399
2016	95,000	3/4	3%	\$	2026	135,000	3%	3%	\$
2017	100,000	3/4	3%	\$	2027	140,000	3.75%	4.18%	\$99.095
2018	100,000	3/4	3%	\$	2028	145,000	3%	3%	\$
2019	105,000	3/4	3%	\$	2029	150,000	4.18%	4.74%	\$98.438
2020	105,000	3/4	3%	\$	2030	160,000	3%	3%	\$
2021	110,000	3/4	3%	\$	2031	165,000	3%	3%	\$

9. The accrued interest on the Bonds as of the Issue Date is \$2,255,604. The aggregate of the respective Initial Offering Prices of all of the Bonds, exclusive of accrued interest and without adjustment for any costs of issuance, is \$2,286,915.10 2,374,502.60 MAR

10. The Underwriters (have) ~~have not~~ purchased Bond insurance or another form of credit enhancement (the "Guarantee") securing the payment of the principal of, or interest on, any of the Bonds. If any Guarantee has been purchased with respect to all or any portion of the Bonds:

a. The provider of the Guarantee is AGM (the "Guarantor").

b. The fee or premium paid to the Guarantor for the Guarantee is \$40,000 (the "Premium"). The Premium is set forth in the Guarantor's commitment, does not exceed a reasonable charge for the transfer of the credit risk provided by the Guarantor, and does not include any direct or indirect payment or compensation (such as rating agency fees) for any service other than the transfer of such credit risk. The Guarantor has not provided any service other than the Guarantee, except for any such service for which the Guarantor has charged a reasonable arm's length price which will be in addition to, and stated separately from, the Premium. No portion of the Premium is refundable upon the redemption or defeasance of any of the Bonds.

c. As a result of the Guarantee, the interest rates on the Bonds, as set forth above, are less than those which would have been necessary in order to sell the Bonds at the respective Initial Offering Prices without the Guarantee. The present value of such interest savings expected to result from the Guarantee is greater than the present value of the Premium. In both cases, such present values have been determined as of the Issue Date using the yield on the Bonds (computed for this purpose by treating the Premium as additional interest on the Bonds) as the discount rate.

We understand that the Issuer will rely on the above in making certain representations to Michael A. Cole, P.C., Houston, Texas, Bond Counsel to the Issuer, and in complying with the conditions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations in effect thereunder, necessary for interest on the Bonds to be and remain excludable from gross income for federal income tax purposes.

EXECUTED and DELIVERED this 6 day of July, 2011

Storoff, Co. Leach  
 (Name of Underwriter or Manager)  
 By: [Signature]  
 Title: [Title]

## EXHIBIT B

### CERTIFICATE OF FINANCIAL ADVISOR

We, the undersigned, have acted as financial advisor to the Mason Creek Utility District of Harris County, Texas (the "District"), in connection with the sale and delivery of the Unlimited Tax Bonds, Series 2011 in the aggregate amount of \$2,350,000 (the "Bonds"). We hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of the Financial Advisor for the office shown below by signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Financial Advisor. I am the officer of the Financial Advisor charged, along with other officers of the Financial Advisor, with responsibility for issuing the Bonds.

2. The initial yield on the Bonds, based on an issue price of \$2,374,502.60, is not less than 3.9383952 percent. For purposes of this certificate, the term "yield" means that yield which is computed as described in paragraph 10 of the Federal Tax Certificate to which this certificate is attached. No Underwriters' discount, issuance costs, or costs of carrying or repaying the Bonds has been taken into account for purposes of computing the yield on the Bonds. The purchase price of the Bonds used in computing the yield on the Bonds is based solely on the certificate of Sterne, Agee & Leach, Inc. attached to the Federal Tax Certificate to which this certificate is attached.

3. The Financial Advisor computed the Weighted Average Maturity of the Bonds to be 11.5724 years as set forth in the paragraph captioned "Weighted Average Maturity" of the Federal Tax Certificate.

4. To the best of our knowledge the statements set forth in paragraph 16 of the Federal Tax Certificate to which this certificate is attached, are true, accurate and complete.

We hereby authorize the District to rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. We hereby authorize Michael A. Cole, P.C. to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Federal Tax Certificate to which this certificate is attached.

BLITCH ASSOCIATES, INC.

By: 

Title: President

August 10, 2011

Mason Creek Utility District  
c/o Michael A. Cole, P.C.  
5120 Bayard Lane  
Houston, Texas 77006-6512

Re: Mason Creek Utility District  
Unlimited Tax Bonds, Series 2011

Ladies and Gentlemen:

We have acted as special disclosure counsel to Mason Creek Utility District (the “*Issuer*”) in the sale of an aggregate of \$2,350,000 of its Unlimited Tax Bonds, Series 2011 (the “*Bonds*”) pursuant to that certain resolution authorizing the issuance of the Bonds (the “*Bond Resolution*”).

With regard to the above, we have reviewed (i) the Bond Resolution and (ii) the Official Statement of the Issuer dated June 29, 2011 (the “*Official Statement*”). We have also discussed the Official Statement with representatives of the Issuer and others and reviewed such records of the Issuer as we deem relevant to our review of the Official Statement.

Based on our review of the documents described above and such other matters as we deem relevant, we are of the opinion that the offer and sale of the Bonds to the public is exempt from registration under the Securities Act of 1933, as amended, and, in connection therewith, the Bond Resolution need not be qualified under the Trust Indenture Act of 1939, as amended.

Although we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement, we have reviewed the Official Statement at your request, and in the course of our review and discussions with respect to the Official Statement and our review of the other materials described above, nothing has come to our attention that leads us to believe that the Official Statement (except as to the financial statements and other financial, engineering, and statistical data included in the Official Statement, the information relating to The Depository Trust Company, and information relating to the municipal bond insurance policy, if any, each of which as to which we are not called upon to express any view) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Mason Creek Utility District  
c/o Michael A. Cole  
August 10, 2011  
Page 2

This opinion may be relied upon by the addressee hereof and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

Fulbright & Jaworski L.L.P.

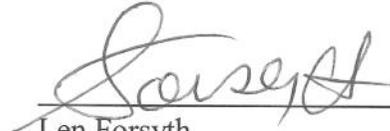
## CLOSING CERTIFICATE

**THE STATE OF TEXAS**           §  
  §  
**COUNTY OF HARRIS**           §

I, the undersigned officer of the Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District"), do hereby make and execute this Certificate for the benefit of Sterne, Agee & Leach and all other persons interested in the District's \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), now in the process of issuance, and I do hereby certify as follows:

1. That I am the duly elected, qualified and acting President of the Board of Directors of the District, and I am authorized to make, execute and deliver this certificate for and on behalf of the District; and
2. That, to the best of my knowledge and belief, acting in such official capacity:
  - (a) All agreements to be complied with and obligations to be performed by the District under the provisions of the Resolution of the Board of Directors of the District authorizing the issuance, sale and delivery of the Bonds, have been complied with and performed;
  - (b) The information contained in the District's Official Statement, dated as of June 29, 2011 (except the information therein relating to re-offering yields or rates on the Bonds, concerning which no representation is herein made), is true and correct in all material respects, and such Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and
  - (c) Except to the extent disclosed in the Official Statement, no litigation is pending or threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection of the ad valorem taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, or the Resolution, or contesting the powers of the District, or contesting the authorization of the Bonds or the Resolution or contesting the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement.
3. There has been no material and adverse change in the affairs or financial condition of the District, since June 30, 2010, the latest date to which audited financial information is available.

EXECUTED this 10<sup>th</sup> day of August 2011.



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Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

(SEAL)

**TREASURER'S RECEIPT**

**THE STATE OF TEXAS**

§

**COUNTY OF HARRIS**

§

§

I, the undersigned Treasurer of Mason Creek Utility District of Harris County, Texas, (the "District") certify as follows:

1. That on August 10, 2011 I delivered to a representative of Sterne, Agee & Leach, as purchaser thereof, the following described bonds (the "Bonds"):

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS  
UNLIMITED TAX BONDS, SERIES 2011, aggregating \$2,350,000 in principal amount, initially dated August 1, 2011, designated within each maturity "I-1", followed by the last two digits of the year of such maturity, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds and maturing in the years 2012 through 2031; and

2. At the time of such delivery, with regard to the above described Series 2011 Bonds, I received from said purchaser full payment for said bonds in keeping with the resolution authorizing the issuance thereof, said full purchase price being \$2,286,915.10 plus accrued interest on the Bonds from the date thereof to the date hereof, and returned the good faith check in the amount of \$47,000 to the purchaser of the Bonds as requested by the purchaser.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal of the District, on this 10<sup>th</sup> day of August, 2011.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

  
\_\_\_\_\_  
Brian C. Connolly, Treasurer

(SEAL)



**DEPOSITORY'S RECEIPT**

**THE STATE OF TEXAS**           §  
  §  
**COUNTY OF HARRIS**           §

It is hereby certified that the below-named bank is the duly appointed agent for Mason Creek Utility District of Harris County, Texas for the purpose of the receipt of proceeds of the District's \$2,350,000 Unlimited Tax Bonds, Series 2011, (the "Bonds") and that, as such, has this day received for Mason Creek Utility District the sum of \$2,242,170.74 which sum was deposited by wire transfer to Wells Fargo Bank, N.A. (the "Bank"), of which the sum of \$92,480.64 was wire transferred to the District's Debt Service Fund at Tradition Bank, ABA No. 113008083, Account No. 16060806, "Mason Creek Utility District Debt Service Fund"; the sum of \$2,012,625.00 was wire transferred to the District's Construction Fund at Tradition Bank, ABA No. 113008083, Account No. 16060814, "Mason Creek Utility District Construction Fund"; and the sum of \$137,065.10 is remaining at Wells Fargo Bank, N.A. for issuance costs at closing and contingency. The Frost Bank Cashier's Check No. 065 164 in the amount of \$47,000 was delivered to the District for deposit into the District's Construction Fund.

IN WITNESS WHEREOF, said depository has caused this certificate to be executed by its duly authorized representative on this 10<sup>th</sup> day of August, 2011.

WELLS FARGO BANK, N.A.

By \_\_\_\_\_

Title \_\_\_\_\_

# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

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

Mason Creek Utility District of Harris County, Texas

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

June 29, 2011

(Date)

Attention: Underwriting Department  
The Depository Trust Company  
55 Water Street, 15L  
New York, NY 10041-0099

Ladies and Gentlemen:

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

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

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

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

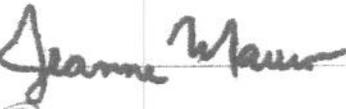
Very truly yours,

Note:

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

Received and Accepted  
THE DEPOSITORY TRUST COMPANY

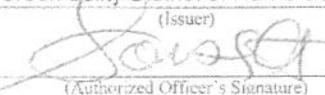
By:

  
DTCC.

The Depository Trust &  
Clearing Corporation

Mason Creek Utility District of Harris County, Texas  
(Issuer)

By:

  
(Authorized Officer's Signature)

Len Forsyth  
(Print Name)

847 Dominion  
(Street Address)

Katy Texas USA 77450  
(City) (State) (Country) (Zip Code)

(281) 578-7272  
(Phone Number)

moneybags.00@sbcglobal.net  
(E-mail Address)

directors@mcud.com

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

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

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

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

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

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

## SCHEDULE A

(To Blanket Issuer Letter of Representations)

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

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

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

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

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

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

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

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

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)  
 ► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Mason Creek Utility District of Harris County, Texas</b>		2 Issuer's employer identification number (EIN) <b>74 2202896</b>	
3 Number and street (or P.O. box if mail is not delivered to street address) <b>847 Dominion</b>		Room/suite	4 Report number (For IRS Use Only) <b>3</b>
5 City, town, or post office, state, and ZIP code <b>Katy, Texas 77450</b>		6 Date of issue <b>08/10/11</b>	
7 Name of issue <b>Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds Series 2011</b>		8 CUSIP number <b>575203 FZ2</b>	
9 Name and title of officer of the issuer or other person whom the IRS may call for more information <b>Michael A. Cole, Bond Counsel</b>		10 Telephone number of officer or other person <b>( 713 ) 880-3800</b>	

**Part II Type of Issue (enter the issue price)** See instructions and attach schedule

11 Education			11		
12 Health and hospital			12		
13 Transportation			13		
14 Public safety			14		
15 Environment (including sewage bonds)			15		
16 Housing			16		
17 Utilities			17	2,374,502	60
18 Other. Describe ►			18		
19 If obligations are TANs or RANs, check only box 19a					
If obligations are BANs, check only box 19b					
20 If obligations are in the form of a lease or installment sale, check box					

**Part III Description of Obligations.** Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	08/01/2031	\$ 2,374,502.60	\$ 2,350,000.00	11.5724 years	3.9383952 %

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

22	Proceeds used for accrued interest		22	2,255	64
23	Issue price of entire issue (enter amount from line 21, column (b))		23	2,374,502	60
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	224,785	00	
25	Proceeds used for credit enhancement	25	40,000	00	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	90,225	00	
27	Proceeds used to currently refund prior issues	27			
28	Proceeds used to advance refund prior issues	28			
29	Total (add lines 24 through 28)	29	355,010	00	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	2,019,492	60	

**Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)**

31 Enter the remaining weighted average maturity of the bonds to be currently refunded . . . ► \_\_\_\_\_ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded . . . ► \_\_\_\_\_ years

33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) . . . ► \_\_\_\_\_

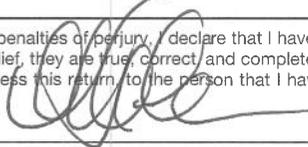
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)

**Part VI Miscellaneous**

<b>35</b>	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .		
<b>36a</b>	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .		
<b>b</b>	Enter the final maturity date of the GIC ▶ _____		
<b>37</b>	Pooled financings: <b>a</b> Proceeds of this issue that are to be used to make loans to other governmental units . . . . .	<b>37a</b>	
<b>b</b>	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____		
<b>38</b>	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . ▶ <input checked="" type="checkbox"/>		
<b>39</b>	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ▶ <input type="checkbox"/>		
<b>40</b>	If the issuer has identified a hedge, check box . . . . . ▶ <input type="checkbox"/>		

**Signature and Consent**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.


AUGUST 11, 2011
Michael A. Cole, Bond Counsel

Signature of issuer's authorized representative      Date      Type or print name and title

<b>Paid Preparer's Use Only</b>	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	Phone no. ( )	



## MUNICIPAL BOND INSURANCE COMMITMENT

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") hereby commits to issue its Municipal Bond Insurance Policy (the "Policy") relating to whole maturities of the debt obligations described in Exhibit A attached hereto (the "Bonds"), subject to the terms and conditions set forth in this Commitment, or added hereto (the "Commitment"). For the avoidance of doubt, each of the Exhibits attached hereto is an integrated part of this Commitment. To keep this Commitment in effect after the Expiration Date set forth in Exhibit A attached hereto, a request for renewal must be submitted to AGM prior to such Expiration Date. AGM reserves the right to refuse wholly or in part to grant a renewal.

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

1. The transaction documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof ("Closing Date").
3. On the date hereof and on the Closing Date, there shall have been no material adverse change in or affecting the Issuer and/or the Obligor, as applicable, or the Bonds (including, without limitation, the security for the Bonds or the proposed debt service schedule of the Bonds), any disclosure document relating to the Bonds (the "Official Statement"), the financing documents to be executed and delivered with respect to the Bonds, the legal opinions to be executed and delivered in connection with the issuance and sale of the Bonds, or any other information submitted to AGM with respect to the referenced transaction, or the Bonds, from that previously delivered or otherwise communicated to AGM.
4. The Bonds shall contain no reference to AGM, the Policy or the insurance evidenced thereby except as may be approved by AGM. BOND PROOFS SHALL HAVE BEEN APPROVED BY AGM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form provided by AGM.
5. AGM shall be provided with:
  - (a) Executed copies of all financing documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to AGM or accompanied by a letter of such counsel permitting AGM to rely on such opinion as if such opinion were addressed to AGM), including, without limitation, the approving opinion of bond counsel. Each of the foregoing shall be in form and substance acceptable to AGM. Copies of all drafts of such documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to AGM for review and approval. Final drafts of such documents shall be provided to AGM at least three (3) business days prior to the issuance of the Policy, unless AGM shall agree to some shorter period.
  - (b) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to AGM have been made prior to the delivery date of the Bonds.
  - (c) Standard & Poor's Rating Services and Moody's Investors Service Inc. will separately present bills for their respective fees relating to the Bonds. Payment of such bills by the Issuer should be made directly to such rating agency. Payment of the rating fee is not a condition to release of the Policy by AGM.
6. Promptly after the closing of the Bonds, AGM shall receive three completed sets of executed documents (one original and either (i) two photocopies (each unbound) or (ii) two compact discs).
7. The Official Statement shall contain the language provided by AGM and only such other references to AGM or otherwise as AGM shall supply or approve. AGM SHALL BE PROVIDED WITH FOUR PRINTED COPIES OF THE OFFICIAL STATEMENT.

TERM SHEET FOR MUNICIPAL BOND INSURANCE COMMITMENT

Issuer: Mason Creek Utility District of Harris County, Texas

Principal Amount of Bonds Insured: Not to Exceed \$2,350,000

Name of Bonds Insured: Unlimited Tax Bonds, Series 2011

Date of Commitment: June 30, 2011

Expiration Date: Friday, September 2, 2011\*

Premium: \$40,000.00

Bond Counsel Opinion -- Language Requirements:

The approving opinion of Bond Counsel shall include language to the effect that the Bonds are a full faith and credit general obligation of the Issuer, the payment for which the Issuer is obligated to exercise its ad valorem taxing power, without limit as to rate or amount, upon all taxable property within the Issuer.

Additional Conditions: None.

ASSURED GUARANTY MUNICIPAL CORP.

  
\_\_\_\_\_  
Authorized Officer

\*To keep the Commitment in effect to the Expiration Date set forth above, AGM must receive a duplicate of this Exhibit A executed by an authorized officer by the earlier of the date on which the Official Statement containing disclosure language about AGM is circulated and ten days from the Date of Commitment.

STERNE AGEE

\_\_\_\_\_  
Authorized Officer

GENERAL CERTIFICATE

THE STATE OF TEXAS   §  
  §  
COUNTY OF HARRIS   §

We, the undersigned, President and Secretary, respectively of the Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") do hereby make and execute this certificate for the benefit of the Attorney General of the State of Texas, the Texas Commission on Environmental Quality (the "Commission"), and all other persons interested in the District's \$2,350,000 Unlimited Tax Bonds, Series 2011 ("the Bonds") now in the process of issuance. We certify the following:

- (1) That the District has been heretofore duly created and organized and is presently existing in good standing under the Constitution and laws of the State of Texas.
  
- (2) That:
  - (a) From February 8, 1995, the date of the General Certificate submitted to the Attorney General in connection with approval of the District's Series 1995 Bonds, until April 14, 1999, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
Larry A. Beustring	Vice President
Louis M. Perry	Secretary/Treasurer
Leon L. King	Assistant Secretary/Treasurer
Thomas L. Barlow	Director

- (b) From April 14, 1999 until October 15, 1999, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
Larry A. Beustring	Vice President
Leon L. King	Secretary/Treasurer
James (Trey) Hamblet	Assistant Secretary/Treasurer
Thomas L. Barlow	Director

(c) From October 15, 1999 until March 3, 2004, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
Larry A. Beustring	Vice President
Leon L. King	Secretary/Treasurer
James (Trey) Hamblet	Assistant Secretary/Treasurer
Jerrilynn S. Sullivan	Director

(d) From March 3, 2004 until May 15, 2004, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
Larry A. Beustring	Vice President
Leon L. King	Secretary/Treasurer
Ronald E. Hudson	Assistant Secretary/Treasurer
Jerrilynn S. Sullivan	Director

(e) From May 15, 2004 until November 16, 2005, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
Larry A. Beustring	Vice President
James G. Hamblet, III	Secretary/Treasurer
Ronald E. Hudson	Assistant Secretary/Treasurer
Jerrilynn S. Sullivan	Director

(f) From November 16, 2005 until April 12, 2006, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
Ronald E. Hudson	Assistant Secretary/Treasurer
Jerrilynn S. Sullivan	Director

(g) From April 12, 2006 until June 13, 2007, the Board of Directors of the District was composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
Ronald E. Hudson	Assistant Secretary/Treasurer
John H. Cameron	Director

(h) From June 13, 2007 until Present, the Board of Directors of the District is composed of the following persons, each of whom serves in the capacity indicated:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Assistant Secretary/Treasurer
Robert J. Wills	Director

(3) That the mailing address and expiration dates of the terms of office of the members of the Board of Directors, respectively, are the following:

<u>Name</u>	<u>Address</u>	<u>Expiration Date</u>
Len Forsyth	1602 Hannington Kathy, Texas 77450	05/2014
James G. Hamblet, III	1146 Shillington Katy, Texas 77450	05/2012
Brian C. Connolly	20706 Sea Pine Drive Katy, Texas 77450	05/2012
John H. Cameron	1602 Hoveden Drive Katy, Texas 77450	05/2012
Robert J. Wills	20214 Kings Camp Katy, Texas 77450	05/2014

(4) That since the organization of the District, each member of the Board of Directors has duly qualified as a member of the Board of Directors by executing the bond required by law and by taking the oath of office prescribed by the constitution for public officers; that each such bond was duly approved by the Board of Directors of the District; and that each such bond and oath are filed and retained in the District's records and filed with the Secretary of State.

- (5) That the taxable values for the District for the tax year 2010 were appraised by the Harris County Appraisal District, and the tax assessor/collector of the District for the year 2010 is Bob Leared of Bob Leared Interests.
- (6) That according to the certification of the Harris County Appraisal District, acting by and through its Chief Appraiser, dated as of May 19, 2011, the District's duly certified taxable value for the tax year 2010, net of all adjustments to date and exclusive of properties whose value are under protest, is \$400,029,894.
- (7) That the boundaries of the District have not been altered since the issuance of the District's 1995 Bonds. No part of the District is within the corporate limits of any city, town or village, and all of the land within the District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas.
- (8) That the present rate order of the District for service furnished by the waterworks and sanitary sewer system of the District, dated April 13, 2011, is summarized as follows:

WATER

Residential:

First 6,000 gallons	\$20.00 (minimum)
6,001 to 15,000 gallons	\$ 1.25/1,000 gallons
15,001 to 25,000 gallons	\$ 1.75/1,000 gallons
Over 25,000	\$ 2.00/1,000 gallons

Commercial:

<u>Meter Size</u>	<u>Minimum Monthly Charge</u>
5/8"	\$15.40
3/4"	\$15.40
1"	\$18.70
1 1/2"	\$35.00
2"	\$50.00
3"	\$110.00
4"	\$175.00
6"	\$325.00
8"	\$550.00

Plus \$2.25 per 1,000 gallons for all usage over the minimum monthly quantity. The minimum monthly quantity is 6,000 gallons.

In addition the District charges its customers for water consumed an amount equal to that charged to the District for water pumped, which is currently \$0.95 per thousand gallons of water.

SEWER

Residential:

First 6,000 gallons	\$18.00 (minimum)
6,001 to 15,000 gallons	\$1.25/1,000 gallons
Over 15,000 gallons	\$1.45/1,000 gallons

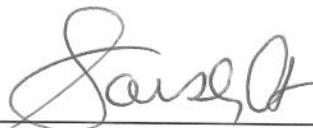
Commercial:

First 6,000 gallons	\$13.75 (minimum)
Each 1,000 gallons thereafter	\$ 3.50

- (9) That none of the proceeds to be derived from the sale of the Bonds, now in process of issuance, will be used for the purchase, acquisition or installation of any fire fighting equipment or facilities, fire engines, fire stations, fire hoses or any other fire fighting equipment of any kind.
- (10) The data required by Section 49.010 and former Sections 50.102 - 50.104 (current Sections 49.054, 49.194, and 49.453–49.455), Texas Water Code, as amended, has heretofore been furnished to the Texas Commission on Environmental Quality.
- (11) That other than the District's Bonds now in the process of issuance, the District has no outstanding indebtedness payable from taxes.
- (12) That neither the revenues nor the properties of the District's waterworks and sanitary sewer system have been in any way pledged or hypothecated.
- (13) That the District is not in default in the observance or performance of any of the covenants or other conditions in the Resolution or in the resolutions or orders authorizing the issuance of the Outstanding Bonds.
- (14) That the Board of Directors of the District has never adopted or given notice of the adoption of a resolution limiting the District's indebtedness.
- (15) That the District has not leased any of its waterworks, sanitary sewer and drainage system facilities to any person, firm or corporation, and no such lease has ever been in existence.
- (16) That no part of the District is within the corporate limits of any city, town or village, and all of the land within the District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas, and the District is in compliance with the City of Houston's ordinance granting consent to the creation of the District.

- (17) That the District has received a copy of the Order of the Commission, dated May 23, 2011 approving the Series 2011 Bonds and the District is presently in compliance with and will continue to comply with the provisions of said Order.
- (18) In connection with the December 4, 1993 bond election authorizing the issuance of additional bonds of the District in the maximum amount of \$7,500,000.00 for waterworks, sanitary sewer and drainage and storm sewer facilities, there was no change affecting voting rights. That, to the extent applicable to the District, all requirements of the Voting Rights Act of 1965, as amended, and the Texas Election Code, as amended, have been met and complied with by the District.
- (19) That, with respect to the action of the Executive Director of the Commission dated May 23, 2011 approving the Bonds:
  - (a) no motion to overturn the Executive Director's action has been filed; and
  - (b) the District has not been notified that the Commission or its General Counsel has extended the period of time to file a motion to overturn the executive director's action.

WITNESS OUR HANDS AND THE OFFICIAL SEAL OF THE DISTRICT, this  
29th day of June, 2011.



\_\_\_\_\_  
President, Board of Directors  
MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS



\_\_\_\_\_  
Secretary, Board of Directors  
MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

(SEAL)

**Mason Creek Utility District  
Harris County, Texas**

**REVISED ORDER ESTABLISHING RATES AND POLICIES FOR  
WATER, SEWER AND OTHER SERVICES AND FACILITIES  
PROVIDED BY MASON CREEK UTILITY DISTRICT AND FOR  
ADMINISTRATION OF THE DISTRICT; PRESCRIBING PENALTIES  
AND PROVIDING FOR COMPLIANCE ORDERS; AND CONTAINING  
OTHER PROVISIONS RELATING TO THE SUBJECT.**

*Including Amendments Adopted Through  
April 13, 2011*

WHEREAS, Mason Creek Utility District (the "District") owns a water and sewer system and other facilities designed to serve present and future inhabitants within the District; and

WHEREAS, it is necessary that fees, charges and conditions be established for service from the District's water and sewer system and other facilities; and

WHEREAS, the Board of Directors has carefully considered the matter and is of the opinion that the following conditions should be revised, established and re-established for service from the District's water and sewer system; NOW, THEREFORE,

BE IT ORDERED AND RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT, HARRIS COUNTY, TEXAS, THAT:

Section 1: Definitions. In this order:

(a) "SFR connection" shall mean and include any single-family residence and any single unit of a townhouse or multiplex dwelling structure (other than apartments) when such is separately metered. Townhouse or multiplex dwelling structures are those where: (i) each dwelling unit is owned separately (this does not preclude private streets, access easements or common areas), (ii) the owner of each unit has the exclusive right to occupy the land where it is located and the air space above it, and (iii) the unit is served by the District directly from a street or other public easement.

(b) "Commercial connection" shall mean and include any office building, hotel, retail store, clubhouse, warehouse, service station, or other establishment rendering a service or offering a product for sale to the public, apartments, churches, schools and any and all establishments or premises which are not SFR connections as defined herein.

(c) "Back-up connection" shall mean a connection to the system of another water district or water utility which has entered into a contract with the District for back-up water or sewer service from the District; such a contract may provide for two-way, or mutual, back-up.

(d) "Unmetered fire connection" means a connection that serves only a closed-type automatic fire sprinkler system, where water can only be drawn off through a sprinkler head.

Section 1A: Utility Capacity Letters.

(a) *Purpose And Intent.* The purpose of this section is to provide predictable procedures and rules for responding to utility capacity inquiries. These regulations shall be applied and interpreted so that projects needing utility capacity can be examined and served on a reasonable basis, and also so that available capacity can be apportioned fairly and equitably to all areas in the District likely to require it.

(b) *Application of Section; Prior Provisions.* This section applies to all requests for new or expanded utility capacity received after June 16, 1993. This section supersedes and replaces all previous rules, policies and procedures for utility capacity matters, including but not limited to the interim regulations adopted August 19, 1992. Any previous letters of availability or utility commitment are terminated (unless issued in accordance with the interim regulations adopted August 19, 1992), but the holder of any such terminated letter or commitment is free to re-apply under this section.

(c) *Owner's Application, Fee.* The owner of a tract of land needing new or increased District utilities may apply in writing to the District office. The application must include a full description of the buildings and structures to be served, the water, sewer and drainage facilities to be constructed, the water and sewer (central plant) capacities requested, expressed in gallons per day on an average day ("GPD"), and the line capacities requested, expressed in units prescribed by the District's engineer. The application must include a non-refundable fee, determined in accordance Section 5 of this order.

(d) *Initial Review.* The District's operator and engineer shall review each application received (except for applications covering only a single-family residence, which the operator alone may review and approve). They shall submit their recommendations to the Board.

(e) *Board Determination; Criteria.* The Board shall determine if the application can be approved by applying the following criteria: (1) whether sufficient unused and unreserved central water and sewer plant capacity exists to serve the applicant, after making a reasonable allowance for future service to the remainder of the District, (2) whether sufficient water, sewer and drainage lines and facilities exist to serve the applicant, taking into account the remainder of the area to be served by such lines and facilities, (3) whether the proposed buildings or structures will impose any unreasonable burdens on the District's systems, in terms of quality of effluent, flooding, peak demands or other demand or use characteristics, and (4) whether the applicant has the readiness, willingness and ability, in a timely manner, to carry out the project and discharge all obligations to the District, including the payment of charges, fees, taxes, etc. With respect to criteria (1) and (2), above, the standard reference level of service for all unserved land in the district is established at a level equivalent to three SFR connections per acre, and this reference level shall be used unless specific circumstances indicate that it is not feasible to provide such level to any specific tract or that conditions on other tracts call for a different base level of service. However, this does not prohibit higher levels of service where capacity is actually

available and not likely to be used for other tracts, taking into account costs, feasibility and revenues. Neither this rate order nor any capacity study or allocation shall ever be construed to create any entitlement to a specific level of service, except to the extent actually written down in a standard utility response letter approved in accordance with this section, and subject to all conditions and limitations of such a letter.

(f) *Letters.* If the application is approved, the District shall cause a standard utility response letter to be sent to the applicant, including the particular features of the application approved by the Board, any special provisions and standard utility connection policies and procedures. All fees required by this rate order must be paid, in addition to the non-refundable application fee. All response letters shall expire on the 180th day following the date of issuance, unless actual construction of all the covered buildings and facilities is started on or before such 180th day and prosecuted diligently to completion thereafter. Construction is not deemed to start until the foundations are actually poured or constructed.

Section 2: Tap Fees (Water System Only). The following fee shall be received by the District before any new or additional connection is made to the District's water system:

<u>Single-Family Residences</u>	<u>Fee*</u>
3/4" or 5/8" tap (standard)	\$ 480.00
1" tap	837.00
1 1/2" tap	1,313.00
2" tap	1,789.00
 <u>Commercial Connections</u>	 <u>Fee*</u>
3/4" or 5/8" tap (standard)	595.00
1" tap	952.00
All taps 1 1/2" and larger	Out-of-pocket cost to District plus 100%‡
 <u>Secondary Water Meters and Taps</u>	 <u>Fee*</u>
Any water taps made to serve non-sewer uses at premises already served by an existing water and sewer tap, pursuant to 8(e)(1)(C), below.	\$175 for a 3/4" or 5/8" tap; larger taps are charged at the actual out-of-pocket cost to District, but not less than \$175
 <u>Back-up Connections</u>	
(Fee is as provided in the contract with the District.)	

\* Indicates that, in addition to the above-described fees, the applicable fees for commercial plan-checking/permits and SFR or commercial inspections must be paid, as prescribed below. An additional charge may be applicable under Section 6 hereof (relating to house and building lines)

‡ Indicates that, with approval of the Board, the fee for a public or semi-public institution is \$100 per required inspection trip, if the institution: (i) obtains approval by the District's engineer of the plans and specifications for the meter and all related equipment, as provided elsewhere in this rate order (see "Plan Checking, Etc."), (ii) purchases and installs such meter and equipment, at its own expense, and conveys it to the District free and clear of all liens, etc., and (iii) makes the installation available for inspection when requested by the District's operator, before it is covered. In this paragraph, a "public or semi-public institution" means an institution that is owned by a governmental or non-profit entity and that regularly admits members of the public without charge.

Section 3:-Standards (All Plumbing). All plumbing and drainage facilities, including private or internal plumbing facilities for water or wastewater, must meet standards required for facilities connected to the City of Houston water, sewer and drainage systems and such additional standards as are prescribed by: (i) state laws, rules and regulations, including those prescribed by the Texas Natural Resource Conservation Commission, (ii) the districts which receive and treat wastewater from the District, (iii) the District's Plumbing Code attached as Appendix "B," and (iv) rules promulgated by the District's engineer for protection of the District's systems. Grease traps on all commercial establishments must comply with the City of Houston specifications. All connections to the District's sewer shall be made in accordance with this order and all of the District's other rules and regulations.

Section 4: Plan-Checking, Inspections, and Service Agreements (Water, Sewer And Drainage).

(a) *When Required.* Plan-checking, inspections, service agreements and related fees are required in the following indicated circumstances:

Circumstances	Plan-checking	Inspections	Service Agreement	Fees
New connection	All except SFR	All	All	Tap, plan checking (except SFR) and inspection
New construction	All except SFR	All	All	Plan checking (except SFR) and inspection
Material improvement, correction or addition to private plumbing facilities.	All except SFR	All	All	Plan checking (except SFR) and inspection
Change in name or transfer of existing account	None	None	All	Transfer
There is reason to believe that cross-connections or other unacceptable plumbing practices exist	All	All	None	Inspection (only if unacceptable practice found)

(b) *Application for Plan Checking.* The applicant for plan checking must submit a site survey and complete plans and specifications for the buildings to be served by the connection and related structures, all in the form prescribed by the District's engineer.

(c) *Plan-checking Fee.* The fee for a new site is \$200.00 per acre (but not less than the District's out-of-pocket costs for engineering and legal review and related work, including easement dedications and utility availability matters, to the extent not previously paid), and provided that the Board may reduce the fee in case only a small part of the site is developed with buildings. This fee shall be applied only to the cost of having plans, and related matters reviewed. In case pre-existing buildings space on a site is added to, enlarged or changed in use, an additional fee shall be required. The additional fee shall be a proportionate part of the total fee for a new building site of the same size, with the proportionate part being based on the size of the added, enlarged or changed building space as compared to the total building space after addition, enlargement or change, but not less than the out-of-pocket costs mentioned above.

(d) *Inspections.* In the indicated circumstances, customer service inspections of all affected plumbing facilities is required, including private or internal plumbing, both water and wastewater. Each inspection shall be performed by an inspector selected by the District and having the credentials required by state regulations, who must file a certification with the District office containing all of the information and certifications shown in the sample certification form attached as Appendix "A." The times for the inspections are as follows:

- (1) Before the slab or foundation is poured or affixed and before underground facilities are covered.
- (2) After rough-in, and before facilities are covered by building materials.
- (3) After completion.

When a backflow prevention assembly is required by 30 TAC 290.44(h), or other law, rule or regulation, there must also be a test of the backflow prevention assembly by a recognized tester having the credentials required by applicable regulations, and the tester must file a test and maintenance report with the District office containing all of the information and certifications

shown in the sample certification form attached as Appendix "C." The District shall retain inspection and test certifications and reports for at least 10 years. The fee for each customer service inspection and tests (if applicable) are specified elsewhere in this order, and such fees are additional charges for water service.

(e) *Other Charges.* Additional charges, as applicable, will be due under Sections 2 and 5 (for example, the tap fee and the fee for inspection), and additional charges may be applicable under Section 6 (relating to house and building lines).

(f) *Service Agreement.* A service agreement, in substantially the form required by state regulations (see Appendix "D"), is required in the indicated circumstances.

Section 5: Other Fees and Inspections.

(a) *SFR Plumbing Inspection.* A fee of \$115.00 shall be charged by the District for each SFR inspection provided or paid for by the District. Of this fee, \$75.00 shall be refundable when the inspection is completed, if the facilities are not covered up before inspection and if the first inspection is satisfactory. If more than one attempted inspection is required, the District will retain the entire \$115.00

(b) *Non-SFR Inspection.* A fee of \$100.00 shall be charged by the District for each of the times when a non-SFR inspection is provided or paid for by the District.

(c) *Utility Capacity Letters.* The non-refundable application fees for utility capacity letters are: (i) \$75.00 for a application for a single-family lot, or (ii) the District's actual out-of-pocket costs for engineering and legal review and related work, including easement dedications and utility availability matters, to the extent not previously paid, but not less than \$200, for all other applications. Such fees shall be credited against related fees due at the time a connection is sought to be established (for example: tap, permit, plan-checking, or inspection fees), if the connection is sought to be established, for the same project, before the expiration of the capacity letter. The District may require deposits of estimated costs before beginning work on applications for other than one single-family lot.

(d) *Pools And Irrigation Systems.* From and after January 1, 1994, if a new water connection is established and serves a swimming pool (including a spa or "hot tub") or an irrigation system, the following shall apply:

- (1) the plumbing shall be designed and constructed so that the chance for backflow or cross-connection is minimized;
- (2) there must be an approved anti-backflow system to protect the District's system from the possibility of backflow;
- (3) there must be an inspection of the internal plumbing before the connection is made and annually thereafter (if requested by the District); and
- (4) there is a fee of the greater of the District's out-of-pocket cost, or \$25 for each such inspection, which is an additional charge for water service.

(e) *Discharge Causing Costs to the District.* If the "Approving Authority" orders that payment be made to cover the cost of handling and treating waste under the Plumbing Code (see "VII" in Appendix B), the payment is an additional charge for sewer service.

(f) *House And Building Lines.* An additional charge for utility service may be applicable under Section 6 hereof (relating to house and building lines).

Section 6: House and Building Lines.

(a) *User/Owner Responsibilities.* It shall be the joint and several responsibility of each user and property owner to install and maintain the water and sewer lines, including connection devices and incidental work, from the point of connection into the District's water and sewer system to the building or premises served (referred to hereinafter as "house lines").

(b) *Disconnection or Repair.* If a house line is not properly installed or maintained, and if it appears that the District's system is being adversely affected, the District may, subject to the notice procedures of the next subsection:

(i) disconnect the house line involved, or  
(ii) if it appears that a substantial savings in cost will occur if the deficiency is corrected in the first instance (rather than being disconnected and then corrected by a separate operation), the District may proceed to correct the deficiency, but only if such work can be accomplished upon public right of way or easements.

(c) *When Notice Required.* Prior to taking any such action, the District shall take reasonable steps to notify the current user (if any) and owner of the premises involved in an attempt to provide them: (i) an opportunity to show cause why the action should not be taken and (ii) a reasonable time within which they may correct any deficiencies at their own expense (subject to the District's right to inspect the work and payment by them of the normal inspection fees). However, in case of imminent peril to health or safety caused by a house line, the District may take immediate action to disconnect the house line or to correct the deficiency. The District shall make reasonable efforts to notify the user and owner thereafter.

(d) *Payment of Cost.* When a house line is disconnected in accordance with this section, it shall not be reconnected until the District's actual cost incurred is paid, except upon order of the Board for good cause shown. When the District corrects a deficiency in accordance with this section, the District's actual cost incurred shall be paid as follows:

(i) If there is a current user at such premises, the cost shall be added to the next monthly bill as an additional charge for utility service. If the Board finds that the corrected house line will benefit not only the owner but also future users at the premises involved, the Board may allow payment of the charge in installments (including any carrying costs) upon request of the user and upon such reasonable conditions as the Board may prescribe.

(ii) Until the full cost is paid (including any carrying cost incurred by the District during the period of non-payment), no new service, additional type of service or transfer of existing service shall be allowed to the premises involved, either to the current user, to the owner or to any other user, except upon order of the Board for good cause shown.

(e) *Deed Record Notices.* The President or Vice President of the District is authorized to place in the Real Property Records of Harris County a formal statement of the nature and amount of the charges claimed by the District under this section as well as the requirement that the same be paid before reconnection or extension of service is allowed. Either officer may also give such other notice as the officer may deem advisable.

(f) *Prior Work.* This section applies to work done prior to this time, if it was done in substantial compliance with this section.

Section 6A: Private Plumbing, Inspections, Repairs, Etc.

(a) *General Responsibilities.* It shall be the responsibility of each person controlling a site to:

- (1) provide, operate and maintain private plumbing for the site in compliance with the Plumbing Code and the other provisions of this order;
- (2) provide access for authorized representatives of the District to inspect all private plumbing, at reasonable times as may be requested by the District's representative (Note: The District's utility operator is authorized to perform such inspections and to authorize other representatives to perform such inspections); and
- (3) maintain all private plumbing for the site in good repair, free of breaks, leaks, cross-connections and similar defects.

(If two or more persons control a site, their responsibilities are joint and several.)

(b) *Compliance Schedule; Special Permits.* When a new or different private plumbing facility, fixture or installation is first required for an existing site, and whenever an existing site must be "retrofitted," the Board may grant a special permit to extend the time for coming into compliance with this rate order, if a person in control of the site: (i) applies for the permit in writing, and (ii) demonstrates that measures are being taken to mitigate the impact of the non-compliance. The permit may contain conditions designed to achieve compliance within a stated period of time, or upon stated events. The permit must allow periodic inspection by the District, require an additional monthly water or sewer fee, and be signed and acknowledged by the owner of the property, in recordable form. The amount of the fee shall be prescribed by the Board and designed to recover the costs to the District of enforcement, monitoring the non-compliance (and mitigation), handling any additional flows or other results of the non-compliance, etc. Compliance with such a special permit is a defense to violating this rate order (with respect to the authorized delay in achieving compliance).

(c) *Certain offenses.* Within the boundaries of the District, it shall be unlawful for any person or entity to:

- (1) erect, construct, enlarge, alter, repair, move, improve, remove, convert, demolish, equip, use, operate or maintain any plumbing that is connected to or served by the District's water or sanitary sewer system, or permit the same to be done, if the plumbing or the premises do not comply with the Plumbing Code; or
- (2) discharge or deposit any substance into the District's sanitary sewer system, or into any fixture or fitting that is connected to the District's sanitary sewer system (directly or indirectly), if the discharge or deposit is prohibited by the Plumbing Code.

A violation of this section shall constitute a misdemeanor, equivalent to the violation of a city ordinance, and shall be punishable upon conviction by a fine not to exceed \$500 per day. To the extent allowed by law, a civil penalty not to exceed \$500 per day is also imposed for each violation. Each day a violation continues shall be a separate offense. It shall be an affirmative defense, in any proceeding to enforce this section, that the conduct in question was covered by the Texas Penal Code or otherwise preempted by a state statute.

(d) *Disconnection or Repair.* If private plumbing is not properly installed, maintained or operated, and if it appears that the District's facilities are being adversely affected, the District may, subject to the notice procedures prescribed below: (i) disconnect the private plumbing involved, or (ii) if it appears that a substantial savings in cost will occur if the deficiency is corrected in the first instance (rather than being disconnected and then corrected by a separate operation), the District may proceed to correct the deficiency, but only if such work can be accomplished upon public right of way or easement. Prior to taking any such action, the District (or its President or Vice President) shall take reasonable steps to notify the current user (if any) and owner of the premises involved and provide them an opportunity to show cause why the action should not be taken and a reasonable time within which they may correct any deficiencies at their own expense (subject to the District's right to inspect the work and payment by them of the normal inspection fees). However, in case of imminent peril to health or safety caused by private plumbing, the District may take immediate action to disconnect the house line or to correct the deficiency. The District shall make reasonable efforts to notify the user and owner thereafter.

(e) *Payment of Cost.* When private plumbing is disconnected in accordance with this section, it shall not be reconnected until the District's actual cost incurred is paid, except upon order of the Board for good cause shown. When the District corrects a deficiency in accordance with this section, the District's actual cost incurred shall be paid as follows:

- (i) If there is a current user at such premises, the cost shall be added to the next monthly bill as an additional charge for utility service. If the Board finds that the corrected house line will benefit not only the owner but also future users at the premises involved, the Board may allow payment of the charge in installments (including any carrying costs) upon request of the user and upon such reasonable conditions as the Board may prescribe.
- (ii) Until the full cost is paid (including any carrying cost incurred by the District during the period of non-payment), no new service, additional type of service or transfer of existing service shall be allowed to the premises involved, either to the current user, to the owner or to any other user, except upon order of the Board for good cause shown.

(f) *Deed Record Notices.* The President or Vice President of the District is authorized to place in the Real Property Records of Harris County a formal statement of the nature and amount of the charges claimed by the District under this section as well as the requirement that the same be paid before reconnection or extension of service is allowed. Either officer may also give such other notice as the officer may deem advisable.

(g) *Effect of Section.* This section may apply to premises and connections to which other sections of this rate order also apply. In those circumstances, the District may enforce any section that applies and may enforce all sections that apply; proceedings under one section do not bar proceedings under another.

Section 7: Back-up Connections. The terms and conditions for back-up service shall be as provided in the contract with the District. This rate order shall only apply to back-up connections to the extent not inconsistent with the contract.

Section 8: Water and Sewer Rates.

(a) *In General.* Charges for water and sewer service shall be billed monthly. All bills shall be due and payable upon receipt. Payment must be physically delivered to the District office or, except as provided below, to the District's depository bank (if the bank has been designated by the Board of Directors to receive such payments directly) on or before the 15th day of the calendar month which immediately follows the calendar month in which the billing period for the payment in question ended. Payments for dishonored or returned checks (including the additional charge therefor) and payments of delinquencies and reconnection charges after service has been disconnected must be made at the District's office by cashier's check, certified check or money order.

(b) *Due Date; Additional Charge.* If any payment is not so made in full on or before such 15th day, an additional charge accrues, but only if the amount unpaid as of such 15th day is \$5.00 or more. If the unpaid amount is \$5.00 or more, the additional charge is 10% of the charges for the preceding calendar month (i.e., the current month bill).

(c) *Payments Mailed.* Users may mail payments for their own convenience, but any user who mails payment or uses any other delivery service must pay any additional charge which accrues because a payment is received late.

(d) *Waiver of 10% Charge.* If a user demonstrates to the satisfaction of the District's designated billing officer, or to the satisfaction of the Board of Directors, that the user did not receive a bill in time to make payment on or before such 15th day for some reason not within the user's control, the 10% additional charge for such payment may be waived.

(e) *Basic Rates.* The rates for water and sewer service shall depend upon the type of connection and, in the case of water service for commercial connections, upon the size of the meter serving the connection. Additional charges under Section 6 hereof (relating to house and building lines) may also apply. Monthly rates for water and sewer service are hereby established as set out in Appendix E and F, attached. Charges for work provided by the District, or by the District operator at District expense, shall be billed at the following unit rates:

<u>Category</u>	<u>Rate</u>
Large backhoe	\$40 per hour
Small backhoe	\$16 per hour
Pull track and trailer	\$9.50 per hour
Service truck	\$7.75 per hour
Two-inch pump	\$5.75 per hour
Sewer jet machine, with operator and helper included	\$125 per hour, \$150/hr overtime
Equipment operator	\$45 per hour, \$67.50/hr. overtime

Supervisor	\$30 per hour
All other labor	\$15 per hour regular, \$22.50/hr. overtime
Materials, rentals, subcontract items, etc.	Cost plus 20%

(f) *Returned Items.* In case a customer pays by check, electronic transfer, credit card or other instrument which is dishonored or returned for any reason not caused by the District, there is an additional service charge (for utility service) of \$25.00. *Exception:* The district may not collect the additional service charge for a dishonor of a credit card if: (i) the district is notified at the time of payment that the payment is not honored; and (ii) the customer immediately submits to the district an alternative form of payment.

(g) *Regulatory Assessments.* In addition to the rates and charges herein prescribed, there shall be collected from each retail customer a regulatory assessment equal to one-half of one percent of the charge for retail water or sewer service. The items subject to the regulatory assessment shall be as prescribed from time to time by the appropriate state regulatory authorities. The regulatory assessment shall be listed on the customer's bill as a separate item and collected in addition to the other charges for utility services.

(h) *Damage to District Meter, Box or Curb Stop.* If a customer (or any person acting at the request of, or on behalf of, the customer) breaks a District meter, meter box or curb stop (cut-off valve), there is an additional charge for water service equal to the actual, out-of-pocket cost to the District of repairing or replacing the item damaged.

#### Section 8A: Plumbing Code, Inspections, Etc.

(a) *Adoption of Code.* The "Plumbing Code" set out in Appendix B is adopted in its entirety. It shall apply to all buildings, structures and fixtures connected, or proposed to be connected, to the District's sanitary sewer system.

(b) *Trap Inspections.* Where a new trap is required pursuant to the Plumbing Code (*see* "IX" in Appendix B), the District's operator shall conduct monthly inspections of the trap until the trap passes six consecutive monthly inspections. Then, the operator shall inspect the trap quarterly, unless the Board approves a longer interval upon application of the customer. To obtain a longer interval, the customer must demonstrate consistent compliance with the Plumbing Code and a stable program for maintaining the trap. Whenever a required trap is missing, bypassed or found in non-compliance, and whenever access to inspect is denied, the inspections will start over on monthly basis, as if the trap were new.

(c) *Records For Traps.* Each customer with a trap must maintain complete records to show when the trap is cleaned and where the grease is transported. All grease and other trapped substances must be disposed of in a lawful manner. A trap will not pass an inspection if any such records are missing.

(d) *Trap Inspection Fees.* Each trap inspection shall cost the greater of the District's out-of-pocket costs or \$20, which shall be an additional cost of sewer service and added to the monthly bill of the customer.

(e) *Compliance Schedule.* All existing commercial customers shall come into compliance with the Plumbing Code's trap and sampling well requirements (if applicable) on or before the 180th day following the adoption of this section. The Board may grant a special permit to extend this deadline upon application of the customer and a demonstration that the customer has begun work to come into compliance and will proceed with diligence to completion. The permit may contain conditions designed to get the customer into compliance at the earliest practicable date. The fee for the special permit is \$4.00 per day of extension, which shall be an additional cost of sewer service and added to the monthly bill of the customer.

(f) *Inflow and Infiltration, Compliance Orders.* In case of a violation of the Plumbing Code relating to inflow or infiltration from private property that pre-dated the adoption of the Plumbing Code, the Board may approve a compliance order allowing the owner of the property a reasonable period of time to come into compliance. The compliance order must: (i) require partial compliance as soon as practicable, (ii) allow periodic inspection by the District, (iii) require additional monthly service charges sufficient to cover the District's increased costs, and (iv) be signed and acknowledged by the owner of the property, in recordable form.

(g) *Access.* Each customer shall provide access for authorized representatives of the District to inspect all traps and other plumbing facilities. Access shall be provided at reasonable times as may be requested by the District's representative. The District's chief utility operator is authorized to perform such inspections and to authorize other representatives to perform such inspections.

(h) *Certain offenses.* Within the boundaries of the District, it shall be unlawful for any person or entity to:

- (1) erect, construct, enlarge, alter, repair, move, improve, remove, convert, demolish, equip, use, operate or maintain any plumbing that is connected to or served by the District's water or sanitary sewer system, or permit the same to be done, if the plumbing or the premises do not comply with the Plumbing Code; or
- (2) discharge or deposit any substance into the District's sanitary sewer system, or into any fixture or fitting that is connected to the District's sanitary sewer system (directly or indirectly), if the discharge or deposit is prohibited by the Plumbing Code.

A violation of this section shall constitute a misdemeanor, equivalent to the violation of a city ordinance, and shall be punishable upon conviction by a fine not to exceed \$500 per day. To the extent allowed by law, a civil penalty not to exceed \$500 per day is also imposed for each violation. Each day a violation continues shall be a separate offense. It shall be an affirmative defense, in any proceeding to enforce this section, that the conduct in question was covered by the Texas Penal Code or otherwise preempted by a state statute.

#### Section 9: Disconnection.

(a) *Notice, Etc.* Failure to pay all taxes, fees and charges when due, failure to provide any required deposit, failure to obtain any required permit or failure to comply with any of the District's orders, rules and regulations shall be grounds for disconnection of water and/or sewer

service until such failure is remedied as provided for herein. On or before the seventh day prior to disconnecting any service, notice of intent to disconnect will be mailed to: (i) the affected ratepayer at the ratepayer's most recent address as shown in the District's records, and (ii) the current "occupant" at the service address as shown in the District's records. *Exception:* The hearing official may approve a different notice method, if the hearing official finds that it was reasonably calculated to bring the matter to the attention of the ratepayer and occupant (if different). The notice must provide an opportunity for the matter to be heard by the hearing official, before disconnection. The hearing official is the President or Vice President of the District, or, if the notice so provides, the entire Board. Each hearing official is authorized to correct any amounts claimed to be owed and to rectify any mistaken circumstances relating to the disconnection. Each hearing official is authorized to halt or postpone the disconnection, as may be appropriate in any given case, and to reduce or waive additional charges imposed in connection with the disconnection proceedings. The Board, for good cause shown, may also compromise and settle any disputed amount (subject to restrictions imposed by the Texas Tax Code in the case of taxes). After the opportunity for the hearing, disconnection may occur, unless otherwise ordered by the hearing official.

(b) *Payments; Reconnection Charge.* After a hearing notice is sent: (i) an additional charge in the amount of \$9.00 per addressee (for costs of notice) accrues, and (ii) any payments must be made by cashier's or certified check, or other method that assures good funds. If service is disconnected, an additional charge of \$50.00 accrues. If the District also removes a water meter, after indications that there was unauthorized use of water at the premises (actual or attempted) within the preceding 12 months, there is an additional charge of \$100.00. Additional charges under Section 6 hereof (relating to house and building lines) may also apply. The District will require full payment of all accrued charges, plus a deposit (see below), before a reconnection is made, unless otherwise ordered by the hearing official.

#### Section 9A: Deposits.

(a) *In General.* A deposit is required to: (i) establish new service, (ii) reconnect service disconnected under Section 9 and (iii) continue service to any ratepayer if the ratepayer gives two or more "bad checks" to the District in any 18-month period. (A "bad check" is a check or other order for payment that is dishonored for insufficient funds or otherwise returned unpaid.) Deposits are subject to the following regulations:

- (1) The minimum deposit shall be the estimated billing for two months's utility service for each account (peak months), but not less than \$150 for each account. *Exception:* The deposit for a secondary, "water only" account for an SFR customer who has a primary account in the same name serving the same house is \$50.
- (2) The minimum deposit is increased by 50% for each of the following factors, if present: (i) the applicant for service does not occupy the premises served (and is not a licensed real estate agent for a firm that has a written listing agreement for the premises and has no record of non-payment to the District), (ii) there is no proof of a written connection, such as ownership, a lease agreement or agency agreement, between the applicant for service and the premises served, (iii) service to the premises has been disconnected for non-payment at least twice while owned by the current owner, (iv) the applicant for service has a residence address more than 100 miles from the premises to be served, (v) the applicant for service cannot be found in a standard telephone directory, at the

address given to the District, (vi) there is good reason to believe that the applicant is acting as a "straw man" for another person or entity who does not sign the service agreement, or (vii) there are other circumstances indicating that information given by the applicant is incomplete, untrue or misleading.

- (3) If the minimum deposit is increased, as provided above, it must be paid long enough in advance of the start of service to assure the District that any check or order for payment will be honored.

The District may apply all or part of the deposit to pay charges accrued by a customer, provided:

(i) applying the deposit to pay a charge neither excuses a failure to pay nor prevents disconnection of service, and (ii) if there is a disconnection of service, the deposit must be restored (or increased, if required by this order) before reconnection. Each deposit shall be returned to the customer when 24 consecutive months elapse without a delinquency, provided all taxes, rates and charges are then paid current.

(b) *Modifications and Waivers.* The Board has the authority to modify, reduce or waive the deposit, in whole or in part, for good cause shown. The deposit for new service (not a reconnection following non-payment) is waived if: (i) the applicant owns the premises, and the premises are the applicant's residence homestead, according to records of the Harris County Appraisal District, or (ii) the applicant is a licensed real estate agent for a firm that has a written listing agreement for the premises and has no record of non-payment to the District.

Section 10: Transfer Fee. A fee of \$25.00 shall be charged by the District to cover the expense to the District in the transfer of water and sewer service from one customer to another. This fee shall cover the establishment of an account for the new customer. The transfer fee shall be billed to each new customer as an item on that customer's first monthly water and sewer invoice. Additional charges under Section 6 hereof (relating to house and building lines) may also apply.

Section 11: Easements. Before service is begun or expanded to any user or, once begun but before reconnection is made, the person requesting such service shall grant an easement of ingress and egress to and from the meter for such maintenance and repair as the District, in its judgment, may deem necessary.

Section 12: No Free Service. No free service shall be granted to any user for services furnished by the District's water and sewer system whether such user is a charitable or eleemosynary institution, a political subdivision or municipal corporation, and all charges for water and sewer service shall be made as required herein.

Section 13: Certain Recreational Facilities. (a) The Board of the District has found that the Nottingham Country Park (on Rennie Drive, in the District), including its size and location, were established in consideration of municipal and county recreational facilities, whether or existing or proposed, that serve or will serve the area in which the District is located. The standards for recreational facilities to be developed and maintained by the District at or near the park are as follows: (i) they shall be at least equal to the facilities previously in existence in the

area, and (ii) they shall meet or exceed prevailing standards for similar facilities in western Harris County. Funds for improvements for the park have been and shall be allocated from accumulated system funds and maintenance tax proceeds not pledged for other purposes. All such findings, standards and allocation are confirmed and re-adopted.

(b) The Board of the District has found that the Mason Creek Community Center (on Kingsland at Houghton Road, in the District), including its size and location, were established in consideration of municipal and county recreational facilities, whether or existing or proposed, that serve or will serve the area in which the District is located. The standards for the Center have been and are established as follows: (i) it shall be at least equal to the facilities previously in existence, and (ii) it shall meet or exceed prevailing standards for similar facilities in western Harris County. Funds for the Center have been and shall be allocated from accumulated system funds and maintenance tax proceeds not pledged for other purposes. All such findings, standards and allocation are confirmed and re-adopted.

Section 14: Other Provisions. The following are approved, adopted and incorporated into this order by the Board of Directors:

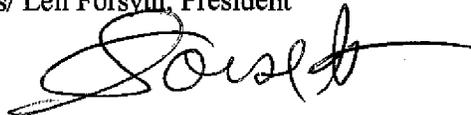
Appendix A	Service Inspection Certification Form
Appendix B	Plumbing Code
Appendix C	Backflow Prevention Form
Appendix D	Service Agreement Forms
Appendix E	Water Rates
Appendix F	Sewer Rates
Appendix G	Fees of Office and Expenses
Appendix H	Rules For Mason Creek Community Center
Appendix I	Records Management

Section 15: Superseding Order. This order supersedes all prior orders, resolutions and other actions of the Board concerning fees and charges for water and sewer service and the other matters prescribed by this order, and it is to be effective from and after its passage and approval. Unless a different effective date is specified by the Board, changes in periodic water or sewer rates shall apply to each customer from and after the first day of the customer's billing period that begins in the month following the month in which this order is adopted (and the rates in effect at the time this order is adopted shall continue in effect until such changes apply).

PASSED, APPROVED AND ADOPTED April 13, 2011.

ATTEST (SEAL):

/s/ Len Forsyth, President



/s/ Brian C. Connolly, Secretary



## Appendix A Service Inspection Certification Form

### MASON CREEK UTILITY DISTRICT Service Inspection Certification

Name of PWS \_\_\_\_\_

Type Of Inspection

PWS I.D.# \_\_\_\_\_

New Construction

Addition to Private Plumbing

Suspected Previous Violations

Location of Service \_\_\_\_\_

in existing Plumbing

I \_\_\_\_\_, upon inspection of the private plumbing facilities connected to the aforementioned public water supply do hereby certify that, to the best of my knowledge:

Compliance      Non Compliance

- |   |  |                          |                          |
|---|--|--------------------------|--------------------------|
| 1 | No direct connection between the public drinking water supply and a potential source of contamination exists. Potential sources of contamination are isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with state plumbing regulations. Additionally, all pressure relief valves and thermal expansion devices are in compliance with state plumbing codes. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | No cross-connection between the public drinking water supply and a private water system exists. Where an actual air gap is not maintained between the public water supply and a private water supply, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention device tester.              | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the public water supply.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | No pipe or pipe fitting which contains more than 8.0% lead exists in private plumbing facilities installed on or after July 1, 1988.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | No solder or flux which contains more than 0.2% lead exists in private plumbing facilities installed on or after July 1, 1988.   | <input type="checkbox"/> | <input type="checkbox"/> |

Water service shall not be provided or restored to the private plumbing facilities until the above conditions are determined to be in compliance.

I further certify that the following materials were used in the installation of the plumbing facilities:

Service lines    Lead     Copper     PVC     Other   
Solder            Lead     Lead Free     Solvent Weld     Other

I recognize that this document shall become a permanent record of the aforementioned Public Water System and that I am legally responsible for the validity of the information I have provided.

\_\_\_\_\_  
Signature of Inspector

\_\_\_\_\_  
Registration Number

\_\_\_\_\_  
Title

\_\_\_\_\_  
Type of Registration

\_\_\_\_\_  
Date

**Appendix B**  
**Plumbing Code**  
*As adopted 6-16-93*

The District hereby adopts the "City of Houston Plumbing Code", as amended from time to time (Current version as of 6-16-93 is the 1991 Uniform Plumbing Code with City of Houston amendments.), insofar as it applies to water supply and sewage collection systems, and to the extent that it is not contradictory to this Order or the District's rules and regulations. Only those materials listed in "BUILDING SERVICE LINES," below, are approved for use in the District. The Houston City Code shall govern on method of installation, pipe sizing, fixture count, and all general requirements.

**I. BUILDING SERVICE LINES**

- A. Waste pipe material shall be of the following material only:
1. Schedule 40 ABS Plastic CS 270 NSF-DWV, ASTM Designation D-2661.
  2. Schedule 40 PVC Plastic CS-272 NSF-DWV, ASTM Designation D-2665 or conforming to ASTM specification D3034 and installed according to ASTM D2321 with SDR35 or better.
  3. For temperatures in excess of one hundred (100) degrees Fahrenheit, Schedule 40 CPVC Plastic, ASTM Designation D-3034 MUST BE USED.
  4. Cast Iron Hub Type Soil pipe Extra Heavy Service weight, ASTM A-74, with Rubber Ring and Gasket or Lead and Oakum joint. "No -Hub" pipe is not permitted below grade.
  5. SIX INCH ONLY shall be not less than ABS-SDR 23.5 - ASTM D-2751 0.265" wall thickness.
  6. ABS Composite Truss pipe may be used for eight (8) inch diameter and above.
  7. Ductile iron pipe (push on joint) conforming to ANSI A21.51.
- B. Water pipe material shall be:
1. Schedule 40 galvanized steel pipe, ASTM A-53.
  2. Seamless Copper Tubing Type K, L, or M, ASTM B-88.
  3. Type I PVC 1120 and PVC 1220, 160 psi minimum pressure rating, ASTM D-1784.
  4. Asbestos cement pipe (Transite or equal) Class 150 for eight (8) inch and larger; Class 200 for six (6) inch.
  5. Ductile iron pipe (push on joint) conforming to ANSI A21.51.

6. Polyethylene for one (1) inch and smaller, ASTM Designation D-2239.
- C. Diameter of Service Lines:
1. Residential service lines shall be sized according to City of Houston Plumbing Code and in no case shall be smaller than 3/4 inch for water or 4 inch for waste.
  2. Commercial service lines shall be sized according to City of Houston Plumbing Code and in no case shall be smaller than 1 inch for water or 6 inch for waste.
- D. Solvent for ABS shall be ASTM Designation D-2235. Solvent for PVC shall be ASTM Designation D-2564. Industrial Polychemical Solvent 793 shall be used for joining PVC to ABS.

## II. GRADE (WASTE LINES)

- A. Minimum grade for four inch sewer pipe shall be one percent (one foot drop/hundred feet), with a maximum grade of two percent (two foot drop/hundred feet).
- B. Minimum grade for six inch sewer pipe shall be 0.7 percent (8.5 inch drop/hundred feet), with a maximum grade of 1.5 percent (18 inch drop/hundred feet).

## III. CONNECTION OF BUILDING STUB-OUTS TO SERVICE LINES

- A. Building tie-on connections shall be made directly to the stub at the foundation on all waste outlets. Septic tanks and all grease traps must be bypassed. Septic tanks and grease traps should be pumped out, sides broken down, then filled with dirt or sand. (This applies only to existing residences being connected.)
- B. Type of Waste Connections: Watertight adaptor shall be used at house connections. All other connections shall be solvent weld.
- C. No drain rim shall be installed less than one foot above the top of the nearest manhole.

## IV. FITTINGS AND CLEANOUTS

- A. No bends or turns at any point shall be greater than 45 degrees.
- B. Each horizontal drainage pipe shall be provided with a cleanout at its upper terminal; and each such run of piping which is more than 90 feet in length shall be provided with a cleanout for each 90 feet or fraction thereof, in the length of such piping.
- C. Each cleanout shall be installed so that it opens in a direction opposite to the flow of the waste and, except in the case of "wye" branch and end-of-line cleanouts, cleanouts shall be installed vertically above the flow line of the pipe.
- D. Cleanout should be made with air tight mechanical plug.
- E. This section applies to each floor drain or similar fitting that is: (i) connected to the

District's sanitary sewer system, directly or indirectly, (ii) in a place freely accessible by the public, but not supervised, during 12 or more hours per day, (iii) described in a notice referencing this section from the District to the owner or other person in charge of the place. As close as practicable to each such drain or fitting, there must be a sign posted in plain view, with letters at least ½ inch in height, reading as follows:

IT IS UNLAWFUL TO DISCHARGE CHEMICALS OR HAZARDOUS WASTE INTO FLOOR DRAIN OR ANY OTHER CONNECTION TO THE SANITARY SEWER SYSTEM. Report violations to Mason Creek Utility District, [insert current phone number]

*ES ILEGAL DESCARGAR PRODUCTOS QUÍMICOS O LOS DESECHOS PELIGROSOS EN DREN DEL PISO O CUALQUIER OTRA CONEXIÓN AL SISTEMA DE ALCANTARILLA SANITARIO. Divulgue las violaciones a Distrito de Servicios Publico de Mason Creek, [numero de telefono]*

The District may provide signs to the owner or person in charge of the place where the sign is required to be posted.

#### V. UNDER SLAB PLUMBING

Under slab pipe and fittings shall be Cast Iron, Schedule 40 ABS or Schedule 40 PVC

#### VI. COMPLIANCE WITH EXISTING AUTHORITY

- A. Unless exception is granted by the Approving Authority, \* the public sanitary sewer system shall be used by all persons discharging wastewater.
- B. Unless authorized by the Texas Department of Water Resources (or successor agency), no person may deposit or discharge any waste included in subsection "A" of this section on public or private property or into or adjacent to any:
  - natural outlet;
  - watercourse;
  - storm sewer;
  - other area within the jurisdiction of the District.
- C. The Approving Authority shall verify prior to discharge that wastes authorized to be discharged will receive suitable treatment within the provisions of laws, regulations, ordinance, rules and orders of federal, state and local governments. *Note: As used herein, "Approving Authority" means the District's engineer, unless: (1) the engineer decision is appealed, or (2) the engineer refers to a matter to the Board. In either case, "Approving Authority" then means the District's Board of Directors.*

#### VII. APPROVING AUTHORITY REQUIREMENTS

- A. If discharge or proposed discharges to public sewers may
  - deleteriously affect wastewater facilities, processes, equipment, or receiving waters;
  - create a hazard to life or health; or
  - create a public nuisance;the Approving Authority shall require
  - pretreatment to an acceptable condition for discharge to the public sewers;
  - control over the quantities and rates of discharge; and
  - payment to cover the cost of handling and treating the wastes.
- B. The Approving Authority is entitled to determine whether a discharge or proposed discharge is included under subsection "A" of this section.
- C. The Approving Authority shall reject wastes when it determines that a discharge or proposed discharge does not meet the requirements of subsection "A" of this section.

VIII. APPROVING AUTHORITY REVIEW AND APPROVAL

- A. If pretreatment or control is required, the Approving Authority shall review and approve design and installation of equipment and processes. A fee will be charged to cover the cost of said review.
- B. The design and installation of equipment and processes must conform to all applicable statutes, codes, ordinances, and other laws.
- C. Any person responsible for discharges requiring pretreatment, flow equalizing, or other facilities shall provide and maintain the facilities in effective operating condition at his own expense.

IX. REQUIREMENTS FOR TRAPS

- A. Discharges requiring a trap include
  - 1. grease or waste containing grease in amounts that will impede or stop the flow in the public sewers;
  - 2. oil;
  - 3. sand;
  - 4. flammable wastes; and

5. other harmful ingredients.
- B. Any person responsible for discharges requiring a trap shall at his own expense and as required by the Approving Authority
1. provide equipment and facilities of a type and capacity approved by the Approving Authority;
  2. locate the trap in a manner that provides ready and easy accessibility for cleaning and inspection; and
  3. maintain the trap in effective operating condition acceptable to the Approving Authority to protect overall Wastewater Treatment Plant operation.

#### X. REQUIREMENTS FOR BUILDING SEWERS

- A. Any person responsible for discharges through a building sewer carrying industrial wastes shall, at his own expense and as required by the Approving Authority
1. install an accessible control manhole;
  2. install meters and other appurtenances to facilitate observation sampling and measurement of the waste; and
  3. install safety equipment and facilities (ventilation, steps) where needed;
  4. maintain the equipment and facilities.
- B. No industrial waste will be discharged into the District's system.

#### XI. SAMPLING AND TESTING

- A. Sampling shall be conducted according to customarily accepted methods, reflecting the effect of constituents upon the sewage works and determining the existence of hazards to health, life, limb, and property.
- (NOTE: The particular analysis involved will determine whether a twenty-four (24) hour composite sample from all outfalls of a premise is appropriate or whether a grab sample or samples should be taken. Normally, but not always, BOD and suspended solids analyses are obtained from 24-hour composites of all outfalls. Where applicable, 16-hour, 8-hour or some other period may be required. Periodic grab samples are used to determine pH and oil and grease.)
- B. Examination and analyses of the characteristics of waters and wastes required by the ordinance shall be
1. conducted in accordance with the latest edition of "Standard Methods", and
  2. determined from suitable samples taken at the control manhole provided or other control point authorized by the Approving Authority.

- C. BOD and suspended solids shall be determined from composite sampling, except to detect unauthorized discharges.
- D. The Approving Authority shall determine which users or classes of users may contribute wastewater which is of greater strength than normal domestic wastewater. All users or classes of users so identified shall be sampled for flow BOD, TSS and pH at least annually.
- E. District may select an independent firm or laboratory to determine flow, BOD, and suspended solids, if necessary. Flow may alternately be determined by water meter measurements if no other flow device is available and no other source of raw water is used.

## XII. PROHIBITED DISCHARGES

- A. No person may discharge to public sewers any waste which by itself or by interaction with other wastes may
  - 1. injure or interfere with wastewater treatment processes or facilities;
  - 2. constitute a hazard to humans or animals, or
  - 3. create a hazard in receiving waters of the wastewater treatment plant effluent.
- B. All discharges shall conform to requirements of this Code.

## XIII. CHEMICAL DISCHARGES

- A. No discharge to public sewers may contain:
  - 1. cyanide greater than .01 mg/l;
  - 2. fluoride other than the contained in that public water supply;
  - 3. chlorides in concentrations greater than 250 mg/l;
  - 4. gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid, or gas; or
  - 5. substances causing an excessive Chemical Oxygen Demand (C.O.D.)
- B. No waste or wastewater discharged to public waters may contain:
  - 1. strong acid, iron pickling wastes, or concentrated plating solutions whether neutralized or not;
  - 2. fats, wax, grease, or oils, whether emulsified or not, in excess of one hundred (100) mg/l or containing substances which may solidify or become viscous at

temperatures between thirty-two (32) and one hundred fifty (150) degrees Fahrenheit (0 and 65 degrees Centigrade).

3. objectionable or toxic substances, exerting an excessive chlorine requirement, to such degree that any such material received in the composite wastewater treatment works exceeds the limits established by the Approving Authority for such materials; or
  4. obnoxious, toxic or poisonous solids, liquids, or gases in quantities sufficient to violate the provisions of Section (12) A.
- C. No waste, wastewater, or other substance may be discharged into public sewers which has a pH lower than 6.0 or higher than 9.0 or any other corrosive property capable of causing damage or hazard to structures, equipment, and/or personnel at the wastewater facilities.
- D. All waste, wastewater, or other substance containing phenols, hydrogen sulfide, or other taste-and-odor producing substances, shall conform to concentration limits established by the Approving Authority. After treatment of the composite wastewater, concentration limits may not exceed the requirements established by state, federal, or other agencies with jurisdiction over discharges to receiving waters.

#### XIV. HAZARDOUS METALS AND TOXIC MATERIALS

- A. No discharges may contain concentrations of hazardous metals other than amounts specified in subsection "B" of this section.
- B. The allowable concentrations of hazardous metals, in terms of milligrams per liter (mg/l), for discharge to inland waters, and determined on the basis of individual sampling in accordance with "Standard Methods" are:

	Metal	Average	<u>Not to Exceed</u>	
			Daily Composite	Grab Sample
Arsenic	0.1	0.2	0.3	
Barium	1.0	2.0	4.0	
Cadmium	0.05	0.1	0.2	
Chromium	0.5	1.0	5.0	
Copper	0.5	1.0	2.0	
Lead	0.5	1.0	1.5	
Manganese	1.0	2.0	3.0	
Mercury	0.005	0.005	0.01	
Nickel	1.0	2.0	3.0	
Selenium	0.05	0.1	0.2	
Silver	0.05	0.1	0.2	
Zinc	1.0	2.0	6.0	

The allowable concentrations of each of the hazardous metals, stated in terms of milligrams per liter (mg/l).

C. No other hazardous metals or toxic materials may be discharged into public sewers without a permit from the Approving Authority specifying conditions of pretreatment, concentrations, volumes, and other applicable provisions.

D. Prohibited hazardous materials include but are not limited to:

Antimony,  
Beryllium,  
Bismuth,  
Cobalt,  
Molybdenum,  
Uranyl ion,  
Rhenium,  
Strontium,  
Tellurium,  
Herbicides,  
Fungicides, and  
Pesticides.

#### XV. PARTICULATE SIZE

A. No Person may discharge garbage or other solids into public sewers unless it is shredded to a degree that all particles can be carried freely under the flow conditions normally prevailing in public sewers. Particles greater than one-half ( $\frac{1}{2}$ ) inch in any dimensions are prohibited.

B. The Approving Authority is entitled to review and approve the installation and operation of any garbage grinder equipped with a motor of three-fourths ( $\frac{3}{4}$ ) horsepower (0.76 hp metric) or greater.

#### XVI. STORM WATER AND OTHER UNPOLLUTED DRAINAGE

A. No person may discharge to public sanitary sewers

1. unpolluted storm water, surface water, groundwater, swimming pools, roof runoff or subsurface drainage;
2. unpolluted cooling water;
3. unpolluted industrial process waters;
4. other unpolluted drainage;

or make new connections from inflow sources.

B. In compliance with the Texas Water Quality Act and other statutes, the Approving Authority may designate storm sewers and other watercourses into which unpolluted drainage described in subsection "A" of this section may be discharged.

#### XVII. TEMPERATURE

No person may discharge liquid or vapor having a temperature higher than one hundred fifty (150) degrees Fahrenheit (65 degrees Centigrade), or any substance which causes the temperature of the total wastewater treatment plant influent to increase at a rate of ten (10) degrees Fahrenheit or more per hour, or a combined total increase of plant influent to one hundred ten (110) degrees Fahrenheit.

#### XVIII. RADIOACTIVE WASTES

- A. No person may discharge radioactive wastes or isotopes into public sewers without the permission of the Approving Authority.
- B. The Approving Authority may establish, in compliance with applicable state and federal regulation, regulations for discharge of radioactive wastes into public sewers.

#### XIX. IMPAIRMENT OF FACILITIES

- A. No person may discharge into public sewers any substance capable of causing
  - 1. obstruction to the flow in sewers;
  - 2. interference with the operation of treatment processes of facilities; or
  - 3. excessive loading of treatment facilities.
- B. Discharge prohibited by Section XIX A include, but are not limited to, materials which exert or cause concentrations of
  - 1. inert suspended solids greater than 250 mg/l including but not limited to
    - (a) Fuller's earth
    - (b) lime slurries; and
    - (c) lime residues;
  - 2. dissolved solids greater than 750 mg/l including but not limited to
    - (a) sodium chloride; and
    - (b) sodium sulfate;
  - 3. excessive discoloration including but not limited to
    - (a) dye wastes; and
    - (b) vegetable tanning solutions; or
  - 4. BOD, COD, or chlorine demand in excess of normal plant capacity.
- C. No person may discharge into public sewers any substance that may
  - 1. deposit grease or oil in the sewer lines in such a manner as to clog the sewers;
  - 2. overload skimming and grease handling equipment;
  - 3. pass to the receiving waters without being effectively treated by normal wastewater treatment processes due to the nonamenability of the substance to bacterial action; or

4. deleteriously affect the treatment process due to excessive quantities.
- D. No person may discharge any substance into public sewers which
1. is not amenable to treatment or reduction by the processes and facilities employed; or
  2. is amenable to treatment only to such a degree that the treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving waters.
- E. The Approving Authority shall regulate the flow and concentration of slugs when they may
1. impair the treatment process;
  2. cause damage to collection facilities;
  3. incur treatment costs exceeding those for normal wastewater; or
  4. render the effluent unfit for stream disposal or industrial use.
- F. No person may discharge into public sewers solid or viscous substances which may violate subsection "A" of this section if present in sufficient quantity or size including but not limited to
1. ashes;
  2. cinders;
  3. sand;
  4. mud;
  5. straw
  6. shavings;
  7. metal;
  8. glass;
  9. rags;
  10. feathers;
  11. tar;
  12. plastics;
  13. wood;
  14. unground garbage;
  15. whole blood;
  16. paunch manure;
  17. hair and fleshings;
  18. entrails;
  19. paper products, either whole or ground by garbage grinders;
  20. slops;
  21. chemical residues
  22. paint residues; or
  23. bulk solids.

## XX. ILLEGAL WORK

Any person, contractor, firm or corporation responsible for work not meeting the above standards shall correct the deficiencies without delay. Parties responsible for the installation of illegal systems may be refused permits for future work until all corrections are made. Any installation found to be in violation of District specifications after the inspection is completed may be required to be corrected, based on severity of the offense and a review by the Board of Directors. Water service to illegal installations will be terminated ten (1) days after notification unless proper corrections are made.

## XXI. EXCEPTIONS

Verbal exceptions to any portion of this Order are not permitted. Any exception to the Order, Rules or Regulations, shall be in writing with each party involved having a signed copy of the exception. No exceptions may be granted except upon action by the Board of Directors at a meeting in regular session. Exceptions are not valid until signed copies are disbursed to the parties involved.

## Appendix C Backflow Prevention Form

The following form must be completed for each assembly tested. A signed and dated original must be submitted to the public water supplier for recordkeeping purposes:

### BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT

NAME OF PWS: \_\_\_\_\_

PWS I.D. # \_\_\_\_\_

LOCATION OF SERVICE: \_\_\_\_\_

The backflow prevention assembly detailed below has been tested and maintained as required by TNRCC regulations and is certified to be operating within acceptable parameters.

#### TYPE OF ASSEMBLY

Reduced Pressure Principle  
 Double Check Valve

Pressure Vacuum Breaker  
 Atmosphere Vacuum Breaker

Manufacturer \_\_\_\_\_

Size \_\_\_\_\_

Model Number \_\_\_\_\_

Located At \_\_\_\_\_

Serial Number \_\_\_\_\_

	Reduced Pressure Principle Assembly			Pressure Vacuum Breaker	
	Double Check Valve Assembly			Air Inlet	Check Valve
	1st Check	2nd Check	Relief Valve	Opened at ___ paid	___ paid
Initial Test	DC-Closed Tight RP ___ paid Leaked	Closed Tight Leaked	Opened at ___ paid		
Repairs and Materials Used					



**Appendix D  
Service Agreement Forms**

**Form UTL-501**

**(Residential)**

<p><b>CUSTOMER:</b> Last name:</p> <p>First Name:</p> <p>Billing Address:</p>	<p><b>SERVICE ADDRESS:</b></p>	<p><b>ACCOUNT NO.:</b></p> <p>Date opened:</p> <p>Date closed:</p>
<p>Phone:</p> <p>Driver's license no. (state):</p> <p>Phone:</p>	<p><b>REFERENCE</b> <i>(relative/close friend)</i> Name &amp; address:</p> <p>Phone:</p>	<p><b>DEPOSIT:</b> Amount: \$ ( ) cashiers ck. or ( ) money order Rec'd on: Returned on:</p>

**SERVICE AGREEMENT**

I. **PURPOSE.** The Mason Creek Utility District of Harris County, Texas (the "District") is responsible for protecting the drinking water supply from contamination or pollution which could result from improper plumbing practices. The purpose of this service agreement is to notify each customer of the plumbing restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the District will begin service. In addition, when service to an existing connection has been suspended or terminated, the District will not re-establish service unless it has a signed copy of this agreement.

II. **PLUMBING RESTRICTIONS.** The following unacceptable plumbing practices are prohibited by State regulations.

A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.

B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.

C. No connection which allows water to be returned to the public drinking water supply is permitted.



**Form UTL-502****(Non-Residential)**

<b>CUSTOMER:</b> Full legal name:  DBA or trade name:  Billing Address:	<b>SERVICE ADDRESS:</b>  	<b>ACCOUNT NO.:</b>  Date opened: Date closed:
Phone:                      Fax:  Federal tax E.I.N:	<b>STATE SALES TAX DATA:</b> Name: Address:  Acct no.	<b>DEPOSIT:</b> Amount: \$ ( ) cashiers ck. or ( ) money order Rec'd on: Returned on:

**SERVICE AGREEMENT**

I. **PURPOSE.** The Mason Creek Utility District of Harris County, Texas (the "District") is responsible for protecting the drinking water supply from contamination or pollution which could result from improper plumbing practices. The purpose of this service agreement is to notify each customer of the plumbing restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the District will begin service. In addition, when service to an existing connection has been suspended or terminated, the District will not re-establish service unless it has a signed copy of this agreement.

II. **PLUMBING RESTRICTIONS.** The following unacceptable plumbing practices are prohibited by State regulations.

A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.

B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.

C. No connection which allows water to be returned to the public drinking water supply is permitted.

D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.

E. No solder or flux which contains more than 0.2 percent lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

III. **SERVICE AGREEMENT.** The following are the terms of the service agreement between the District and Customer.

A. The District will maintain a copy of this agreement as long as the Customer and/or the

premises is connected to the District.

B. The Customer shall allow his property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the District or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other unacceptable plumbing practices exist; or after any major changes to the private plumbing facilities. The inspections shall be conducted during the District's normal business hours.

C. The District shall notify the Customer in writing of any cross-connection or other unacceptable plumbing practice which has been identified during the initial inspection or the periodic reinspection.

D. The Customer shall immediately correct any unacceptable plumbing practice on his premises.

E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the District. Copies of all testing and maintenance records shall be provided to the District.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the District shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

CUSTOMER'S SIGNATURE\*\*: \_\_\_\_\_ Date signed: \_\_\_\_\_

**\*\*IMPORTANT: By signing here, this person agrees to be fully responsible for water and sewer service to the above-listed Service Address, including payment of all fees and charges, maintenance of private service lines or laterals and compliance with: (i) this Service Agreement, (ii) the District's rate order and (iii) other applicable laws, rules and regulations.**

REQUEST FOR CONFIDENTIALITY: By checking here (  ) Customer requests confidentiality of the above-listed address, telephone number, and social security number, to the extent provided by law.

**Appendix E**  
**Water Rates**

*As amended through September 15, 2010*

- (A) SFR Connections: For first 6,000 gallons of water used per billing period, \$20.00 (minimum monthly charge). For each 1,000 gallons of water used over 6,000 gallons during the billing period, the rate is set out in the chart below.

<i>Usage amount</i>	<i>Rate per 1,000 gallons*</i>
6,001 to 15,000	\$1.25
15,001 to 25,000	\$1.75
over 25,000	\$2.00

\* See (G) below for groundwater reduction fee.

- (B) Commercial Connections. The minimum monthly charge for each meter is the amount determined by the size of the meter:

(i) <u>Meter Size</u>	<u>Minimum Monthly Charge</u>
5/8"	\$ 15.40
3/4"	15.40
1"	18.70
1 1/2"	35.00
2"	50.00
3"	110.00
4"	175.00
6"	325.00
8"	550.00

(ii) Plus \$2.25 per 1,000 gallons [See (G) below for groundwater reduction fee] for all usage over the minimum monthly quantity. The minimum monthly quantity is 6,000 gallons.

(iii) Exception. For meters serving exclusively greenspace within public rights of way (by separate meter) or subject to public conservation restrictions, the charge for usage is \$0.50 per thousand gallons (no minimum charge or minimum monthly quantity). See (G), below, for groundwater reduction fee. Provided further, for water provided to greenspace owned by the District or covered by a conservation easement owned by the District, or provided to other facilities owned by the District, there is no charge, but the operator shall meter the amounts provided and make the information available to the Board upon request.

- (C) Back-up Connections; Unmetered Fire Connections

(i) <u>Meter/Line Size</u>	<u>Minimum Monthly Charge*</u>
4"	\$56, unless the contract calls for a different rate
6"	\$106, unless the contract calls for a different rate

8"

\$166, unless the contract calls for a different rate

\* Two-way, or mutual, back-up contracts may call for no minimum monthly charge. For unmetered fire connections equipped with "Detect-A-Chek" or equivalent installation (low flow detection and double check valves), the minimum monthly charge is \$27.50 for a 6-inch or smaller connection and \$39.60 for all other connections, provided that the District is afforded satisfactory access to the installation.

(ii) Plus \$4.50 per 1,000 gallons for all usage, unless the contract calls for a different rate.

(D) Multiple Meters; Irrigation or "Water Only" Meters. If a connection has more than one water meter, each water meter will be read and billed independently, but failure to pay all charges related to any meter shall be deemed a breach of the contract of service for all of the premises of the customer, thus making all service to the premises, from any and all meters and taps, subject to termination for non-payment. If an SFR customer has specially applied for a secondary water meter to serve non-sewer uses at the same customer's premises which are already served by an existing water meter and sewer tap, the sewer charges do not apply to consumption through the secondary meter, and there is no minimum monthly charge for water service through the secondary meter, but instead all consumption through such a secondary meter shall be billed at the following water-only rates per 1,000 gallons per billing period, but remaining subject to Paragraph (E) below:

<i>Usage amount</i>	<i>Rate per 1,000 gallons*</i>
0 to 10,000	\$1.50
10,001 to 20,000	\$1.65
20,001 to 30,000	\$1.75
30,001 to 50,000	\$1.80
over 50,000	\$2.00

\* See (G) below for groundwater reduction fee.

From and after October 18, 2007: (1) no "water only" meter may be set, and no "water only" account may be opened, except for an SFR customer who has an active primary account (including both a minimum bill and sewer charges) in the same name and serving the same house as the "water only" account, and (2) service through a "water only" meter may not be turned off (at the request of the customer) unless the account is closed.

For billing periods beginning on or after January 18, 2008, special "water only" rates and charges mentioned in this rate order (e.g., tap fee, deposit, no minimum bill, no sewer charge) do not apply to an SFR customer unless the customer has an active primary account (including a minimum bill and sewer charges) in the same name and serving the same house as the "water only" account.

Connections established to serve non-SFR, permanent water-only users shall be treated the same as SFR water-only secondary meter connections, except as otherwise provided for in the case of

service to greenspaces within public rights of way or subject to public conservation restrictions.

- (E) Certain Secondary Meter Connections; Additional Charges. If water obtained through a secondary water meter installed to serve non-sewer uses is ever used in such a way that any of the water is returned to the District's sanitary sewer system, the following additional charges shall be immediately due:
- (i) the full amount of the District's then current tap, meter, connection and inspection fees for both water and sewer connections, less the amount paid to the District for the original installation of the secondary meter; and
  - (ii) the full amount of water and sewer charges which would have been payable if the meter were an ordinary primary meter serving an ordinary water and sewer connection, less those amounts paid on account, for the shortest of the following time periods:
    - ((a)) the time since the secondary meter was placed in service;
    - ((b)) the time since the current customer became responsible for payment of charges at the premises involved; or
    - ((c)) two years.
- (F) Commencement of Charges. Water service charges commence with the initial tap of the water system.
- (G) Groundwater Reduction Fee. In addition to the rates for SFR and Commercial connections, as shown above, there shall be a groundwater reduction fee separately stated on each bill. It shall be \$1.00 per thousand gallons, including minimum quantities and additional quantities, if any. *Example:* For usage of 6,000 gallons or less with a minimum monthly quantity of 6,000 gallons, the fee would be \$6.00. Amounts collected from this fee shall be accounted for separately and spent only to pay the District's obligations under contract(s) with the City of Houston for groundwater reduction and/or water supply.

**Appendix F**  
**Sewer Rates**

*As amended through September 15, 2010*

- (A) SFR Connections. For the first 6,000 gallons of water used per billing period, \$18.00 (minimum monthly charge). For each 1,000 gallons of water used over 6,000 gallons in the billing period, the rate is as follows:

<i>Usage amount</i>	<i>Rate per 1,000 gallons*</i>
6,001 to 15,000	\$1.25
over 15,000	\$1.45

Water used to fill a swimming pool is not subject to the charge for sewer service if the customer makes advance arrangements for a special reading of the meter before and after the filling and complies with the District's procedures.

- (B) Commercial Connections. The minimum monthly charge is \$13.75. For each 1,000 gallons of water used over 6,000 gallons, the charge is \$3.50.
- (C) All Connections. Sewer service charges commence with initial tap of the sewer.

**Appendix G**  
**Fees of Office & Expenses**  
*As amended through August 2006*

**Fees Of Office**

1. *Statutory Limits.* The statutory limits on fees of office, as amended from time to time, shall always be observed, including both the rate and the monthly or annual maximum (currently \$7,200).

2. *Fees of Office.* A daily fee of office is payable for each day a director actually spends performing the duties of a director. In this subsection, "performing the duties of a director" means substantive performance of the management or business of the district, including participation in board and committee meetings and other activities involving the substantive deliberation of district business and in pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time. A daily fee may be payable only for those days when the services include attendance at a Board meeting, a bid opening, a committee meeting, a conference, a seminar or similar scheduled event at which the Director's attendance is approved by the Board.

3. *Board Approval.* The Board approves fees of office in the amount of \$150 per day, subject to the limitations of this order (\$7,200 annual limit).

**Expenses**

1. *General Criteria.* All expense reimbursements for Directors must meet the following general criteria:

a. They must serve a useful purpose, and they must be appropriate and helpful to the District and the Director who incurs them. Expenses of a spouse or family are not ordinarily appropriate.

b. Expenses of attending or participating in events held in conjunction with a conference or seminar must have a clear relationship to the functions of the District and a direct benefit to the District. The duration of a stay at a conference or seminar should not exceed the minimum necessary for efficient and productive participation in the working sessions (this does not prohibit a Director from staying longer if the Director personally bears the increase in cost).

c. Entertainment expense is not allowable unless there is a clear relationship to the functions of the District, a direct benefit to the District and special approval by the Board.

d. Reimbursements for travel, lodging, etc. may only be made when incurred in connection with a scheduled event outside the District for which a per-diem Director's fee could be payable (see above), and such reimbursements are limited as follows:

(1) Travel by auto: Reimbursement is limited to the applicable rate per mile published by the IRS as the average cost of operating an automobile, plus actual cost of parking and tolls.

(2) Travel by common carrier: Reimbursements are limited to the lowest fare reasonably available for the trip in question without cancellation penalty, taking into account the time when plans are made. First class or business class premiums are not reimbursable.

(3) Lodging and meals: These are normally reimbursable only when there is an overnight stay. The amount should not exceed the average prevailing level for the area where the expenses are incurred. However, meal costs for working sessions of conferences or seminars are reimbursable even if there is no overnight stay, provided the cost is reasonable.

2. *Claims; When To File.* Expenses do not become eligible for reimbursement until after they are incurred. A claim for reimbursement must be filed within 60 days after the expense is incurred. The claim must indicate the purpose, it must be accompanied by receipts for items over \$25, and it must be verified. In case a reimbursement is made which exceeds the actual expense incurred, the excess must be returned to the District within 120 days following the reimbursement. Advances against anticipated expenses are not allowed.

3. *Other Expenses.* Expenses not mentioned herein are reimbursable if they meet the general criteria and are approved by the Board. For good cause, the Board may approve a reimbursement which varies from the provisions of this policy.

**Appendix H**  
**Rules For Mason Creek Community Center**  
*As Amended April 13, 2011*

**General Provisions**

1. *Reservations, Etc.* Any group or individual may request to use part of the Facilities, on a first-come, first-reserved basis, after completing a permit form as provided by MCUD. A permit for each use is required. Such permit must be signed by a MCUD resident over 25 years of age who agrees to be ultimately responsible for the Facilities used and to be present during the use of the Facilities. Permits are not effective until signed by MCUD and returned to the user. Use fees and the deposit must be paid at the time of signing. *Exceptions:* This does not apply to ordinary swimming pool and tennis court users without permits.

2. *Keys.* The key will be available approximately 30 minutes before the beginning of the scheduled use period. Arrangements for obtaining the key must be made with the MCUD office. The key must be returned within 24 hours after the end of the scheduled rental. *Exceptions:* This paragraph does not apply to ordinary swimming pool and tennis court users without permits.

3. *Unauthorized Uses.* No user shall allow any group or individual to use the Facilities during the user's occupancy, other than those mentioned in the permit and approved for use of the Facilities. Occupancy will be limited to maximum capacity posted or prescribed by the District, whichever is lower. The Facilities are not to be used for any purpose which violates any State statute, local or county ordinance or regulation, or administrative rule to which the District is subject. Use permits (and other documents) may include requirements that users pay additional fees for any unauthorized or prohibited use or any violation of District rules, regulations, permits or terms of use. Any such additional fees may be deducted from the deposit and shall also be personal obligations of the user.

4. *Fees and Deposits.* Fees for use of the Facilities shall be determined by the day and length of use. See "Fee Rates," below. No refunds of fees will be made unless: (i) the District terminates the use, for no fault of the user, or (ii) the user gives the District advance notice of cancellation, in writing and before the beginning of the use period, in which case fees may only be refunded as follows:

<i>Number of days advance notice of cancellation given (in writing)</i>	<i>Percentage of fees refunded</i>
60 days or more	100%
30 to 59 days	50%
Fewer than 30 days	0% (no refund)

Fees and deposits must be paid by certified or cashier's check or money order payable to the District; cash will not be accepted. *Exceptions:* (1) Ordinary pool and tennis fees (without permits) may be paid by regular check payable to the District. (2) Residents of MCUD may pay fees and deposits by regular check payable to the District.

Each permittee agrees to accept the Facilities--with all equipment and decorations---as the permittee finds them at the beginning of the term of the permit, unless the permittee contacts the District office and arranges a joint inspection with a District representative at or before the beginning of the term of the permit. No refund is allowed for any condition or circumstance, unless permittee arranges such a joint inspection and brings the condition or circumstance to the attention of the District's representative at that time. Any refund is limited to the portion of the fee that corresponds to the portion of the agreed-upon Facility that the permittee cannot use, as a practical matter. If the sound system is found not to be working at the time of the joint inspection, and if it cannot be substantially restored, any refund is limited to the 10% of the fees for the use of the Facility (but there is no refund unless the sound system is integral to the function or event as planned).

5. *Deposit.* Users must pay deposits as provided below. See "Fee Rates." The District may apply the deposit to cover damage, lost or stolen items, re-keying, cleanup, higher applicable rates, additional fees and any other additional charges. If such additional charges exceed the deposit, the user will be responsible for the total amount, less the deposit. The District may provide a list of common additional charges, but the list does not limit the additional charges that may apply in a given case. *Exceptions:* Deposit requirements do not apply to ordinary swimming pool and tennis court users without permits.

6. *Delinquencies.* No user may use the Facilities if user is found to be delinquent in either utility payments, taxes, fees, damages or other payments to the District.

7. *Areas Approved; Signs.* All users are limited to the specific area approved for their use and may not use any other area, including the exterior of the Facilities. Exterior banners or signs are forbidden, except for temporary poster-sized signs placed on an area approved by the District announcing the meeting, with the placement of each sign being at the sole discretion of the District

8. *Evening Curfew.* In respect of the neighbors, all use must end by 10:30 p.m. (or 12:00 midnight in the case of the Main Ballroom), unless a later occupancy is specially approved by the District's Board or its designee.

9. *Termination by MCUD.* MCUD reserves the right to terminate any user's occupancy at any time, with no liability in excess of fees and deposits paid.

10. *Damage, Disturbance.* Users shall not use the buildings in such a manner as to damage the buildings or to disturb other users or people in the vicinity of the building.

11. *Tennis Court Regulations.*

- a) **Availability; Reservations.** Tennis courts are available on a first-come, first-served basis to keyholders only, except that courts may be reserved in advance for league play as follows: (i) league-reserved courts must be posted at the start of each season, and (ii) at least two courts must be left available for general use at all times. A keyholder is the person who pays the prescribed fees and deposits, but only during the time period for which the fee is paid.
- b) **Guests.** Only keyholders may bring guests. A maximum of three guests per keyholder is allowed at any one time, and all guests must use the same court as the keyholder. The keyholder must be present.
- c) **League Rosters & Fees.** At least 25% of the members on each team's roster must be District residents or keyholders. Teams must submit complete rosters to the tennis committee before the start of each season, together with all required fees. Rosters must include each name, address and keyholder status upon a form provided by the tennis committee. Any team submitting no roster (or an incomplete roster, or insufficient fees) before the start of the season may lose the right to use the Facilities for the remainder of the season. Any team submitting a false roster may lose the right to use the Facilities forever.
- d) **Tennis Committee.** The District Board may designate the tennis committee from time to time. The committee is responsible for collecting team rosters and fees, transmitting the fees to the District and making recommendations to the Board. It has no other authority.
- e) **Restrictions on Use of Keys.** Keys authorize only the individual keyholder (and guests, as restricted above) to use the Facilities. Keys may not be lent or transferred.
- f) **Professional Instruction.** Professional instruction may only be provided to keyholders. A keyholder may bring an instructor as a guest.

12. *Additional Requirements; Waivers; Amendments.*

- a) MCUD reserves the right to impose additional requirements and restrictions and the right to refuse to allow particular uses.

b) MCUD may provide constables, lifeguards, etc., at its discretion, and add the cost to the fee.

c) Any request to amend or waive these regulations should be filed, in writing, at least 15 days before the next regular Board meeting of MCUD.

d) MCUD reserves the right to amend these regulations at its discretion at any time with or without actual notice to those reserving or requesting use of the Facilities.

13. *Other Provisions:*

a) Political organizations may reserve the Facilities for meetings.

b) Persons using the Facilities may not throw rice (indoors or outdoors) but--outdoors only--may use birdseed or liquid bubbles in lieu of rice.

c) No firearms will be permitted in the Facilities.

d) No smoke machines or pyrotechnical devices will be permitted in the Facilities.

e) No animals will be allowed at the Facilities unless authorized by the District in advance, except seeing-eye dogs..

f) No smoking permitted at the Facilities.

g) No commercial or sales activity is allowed. *Exceptions:* This does not prohibit: (i) events that are strictly educational or social (such as for examples: a party for employees, or a seminar); (ii) events that are sponsored by a non-profit organization that may include commercial activities to raise funds for the organization (such as, for example: a silent auction to raise funds for a charity), provided that the permit contains provisions to restrict the activities appropriately; (iii) events that are purely commercial, but which do not include sale or delivery of tangible, moveable property (such as, for example: an investment seminar that includes sale of securities), or (iv) commercial or sales activity during a District-sponsored public festival or "open house," if the activity is arranged and approved in advance and restricted to the specific area designated by the District (which area will be limited so as not to interfere with the main purpose of the event.)

## Fee Rates

*Houghton Meeting Room* (capacity: 35 persons, max.) or  
*West Room* (capacity: 50 persons, max.)

### A. RESIDENTS:

(1) MONDAY THROUGH THURSDAY

9:00 A.M. THROUGH 4:00 P.M. \$60\*

5:00 P.M. THROUGH 10:30 P.M. \$60\*

(2) FRIDAY THROUGH SUNDAY

9:00 A.M. THROUGH 4:00 P.M. \$60\*

5:00 P.M. THROUGH 10:30 P.M. \$60\*

(3) ADDITIONAL PROVISIONS

\*Extra hours, if authorized by the District or its designee, are \$10 each

\*Plus \$500 if the user allows alcohol on the premises when not authorized by the permit.

\*A 10% discount will be given for all regular use groups who use and reserve the room in advance for twelve (12) or more times per year.

\*Plus actual cost of constables, if required by MCUD for the event in question.

\*The deposit for residents is \$100.

\*A 50% discount from the rates shown in (1) and (2), above, is available for any District resident who signs a permit and arranges for the use of a room by a non-profit organization recognized under Section 501c(3) or 501c(4) of the Internal Revenue Code.

### B. NON-RESIDENTS:

(1) MONDAY THROUGH THURSDAY

9:00 A.M. THROUGH 4:00 P.M. \$85\*

5:00 P.M. THROUGH 10:30 P.M. \$85\*

(2) FRIDAY THROUGH SUNDAY

9:00 A.M. THROUGH 4:00 P.M. \$160\*

5:00 P.M. THROUGH 10:30 P.M. \$160\*

(3) ADDITIONAL PROVISIONS

\*Extra hours, if authorized by the District or its designee, are \$15 each on Monday through Thursday or \$30 each on other days.

\*Plus \$500 if the user allows alcohol on the premises when not authorized by the permit.

\*A 10% discount will be given for all regular use groups who use and reserve the room in advance for twelve (12) or more times per year.

\*Plus actual cost of constables, if required by MCUD for the event in question.

\*The deposit for non-residents is \$250.

*Main Ballroom* (capacity: 242 persons, max.; the term "mid-range use" refers to occupancy by no more than 100 persons.)

A. RESIDENTS:

- (1) MONDAY THROUGH SUNDAY: 9:00 A.M. THROUGH 12:00 P.M.  
BASE RENTAL (3 HOURS OR LESS) \$425†\* (\$225\* for mid-range use)  
EACH ADDITIONAL HOUR \$100†\* (\$50\* for mid-range use)  
FULL-DAY OPTION (MAX. 15 HOURS): \$1,025† (*applies only if selected in advance, in lieu of base plus additional hours rate*)

(2) ADDITIONAL PROVISIONS

- † Rate shown is for groups over 100 authorized by permit; add \$500 for unauthorized groups over 100.
- \* Extra hours, if authorized by the District or its designee, are \$100 (\$50 for mid-range use).
- \* Plus \$500 if the user allows alcohol on the premises when not authorized by the permit.
- \* Plus actual cost of constables, if required by MCUD for the event in question.
- \* The deposit for residents is \$500.

B. NON-RESIDENTS

- (1) MONDAY THROUGH SUNDAY: 9:00 A.M. THROUGH 12:00 P.M.  
BASE RENTAL (3 HOUR MINIMUM) \$575 †\* (\$325\* for mid-range use)  
EACH ADDITIONAL HOUR \$150†\* (\$100\* for mid-range use)  
FULL-DAY OPTION (MAX. 15 HOURS): \$1,525 †\* (*applies only if selected in advance, in lieu of base plus additional hours rate*)

(2) ADDITIONAL PROVISIONS

- † Rate shown is for groups over 100 authorized by permit; add \$500 for unauthorized groups over 100.
- \* Extra hours, if authorized by the District or its designee, are \$150 (\$100 for mid-range use)
- \* Plus \$500 if the user allows alcohol on the premises when not authorized by the permit.
- \* Plus actual cost of constables, if required by MCUD for the event in question.
- \* The deposit for non-residents is \$1,000 (\$500 for mid-range use).

*Swimming Pool Areas (non-public events)*

BASIC RATE: 100 for the first two hours or any part thereof, plus \$50 per hour thereafter

ADDITIONAL PROVISIONS

- \* The deposit is \$200.
- \* Plus \$500 if the user allows alcohol on the premises when not authorized by the permit.
- \* Additional provisions apply, as stated in the permit form.
- \* Lifeguards may be required (at additional cost)

*Swimming Memberships (for use during regular public hours)*

RESIDENTS: \$100 per swimming season per family (or individual).

*For new residents of the District, the membership fee for the first season (current or upcoming) is waived. For new residents arriving during a season, but after June 30, the fees for that season and the following season are waived.*

NON-RESIDENTS: \$250 per swimming season per family (or individual).

GUESTS: Only a member may bring guests, and all guests must be accompanied by the member. A maximum of two guests per family is allowed at any one time, except that, during off-peak hours, the pool manager may allow additional guests, not to exceed a reasonable number.

*Tennis Courts (ordinary use;no special permit)*

RESIDENTS: \$25 key deposit only.

NON-RESIDENTS: \$500 per year, plus \$25 key deposit (rates apply to new keys and renewals on or after April 14, 2011; prior rate remains in effect for each existing key until it is renewed) . *Exception:* A non-resident duly listed on a team roster may pay \$25 per league per season, which will allow play for that particular league and that particular season only (no key is issued in this case, and the listed person is not considered a keyholder for bringing guests, or any other purpose).

GUESTS: See "Tennis Court Regulations."

**Appendix I**  
**Records Management**  
*As adopted November 15, 2006*

WHEREAS, Title 6, Subtitle C, Local Government Code ("Local Government Records Act"), provides that each local government must establish an active and continuing records management program; and

WHEREAS, Mason Creek Utility District ("District") desires to adopt a plan for that purpose and to prescribe policies and procedures consistent with the Local Government Records Act and in the interests of cost-effective and efficient recordkeeping;

NOW THEREFORE:

**SECTION 1. DEFINITION OF RECORDS OF THE DISTRICT.** All documents, papers, letters, books, maps, photographs, sound or video recordings, microfilm, magnetic tape, electronic media, or other information recording media, regardless of physical form or characteristic and regardless of whether public access to it is open or restricted under the laws of the state, created or received by the District or any of its officers or employees pursuant to law or in the transaction of public business are hereby declared to be the records of the District and shall be created, maintained, and disposed of in accordance with the provisions of this order or procedures authorized by it and in no other manner.

**SECTION 2. RECORDS DECLARED PUBLIC PROPERTY.** All records as defined in Sec. 1 of this Appendix are hereby declared to be the property of the District. No official or employee of the District has, by virtue of his or her position, any personal or property right to such records even though he or she may have developed or compiled them. The unauthorized destruction, removal from files, or use of such records is prohibited.

**SECTION 3. POLICY.** It is hereby declared to be the policy of the District to provide for efficient, economical, and effective controls over the creation, distribution, organization, maintenance, use, and disposition of all records of this office through a comprehensive system of integrated procedures for the management of records from their creation to their ultimate disposition, consistent with the requirements of the Local Government Records Act and accepted records management practice.

**SECTION 4. RECORDS MANAGEMENT OFFICER.** The Office Manager of the District will serve as records management officer for the District as provided by law and will ensure that the maintenance, destruction, electronic storage, or other disposition of the records of this office are carried out in accordance with the requirements of the Local Government Records Act.

**SECTION 5. RECORDS CONTROL SCHEDULES.** Appropriate records control schedules issued by the Texas State Library and Archives Commission shall be adopted by the records management officer for use in District, as provided by law. Any destruction of records of the District will be in accordance with these schedules and the Local Government Records Act.

**SECTION 6. SUPERCEDING ORDER.** This Appendix shall supercede all records retention policies previously adopted. The records control scheduled adopted by the records management officer shall supercede all such schedules previously adopted.

ADOPTED by the Board of Directors of Mason Creek Utility District on the date shown above.

[END]

**Appendix J**  
**Certain Personnel Policies**  
*As adopted April 15, 2009*

**Full-time vs. other employees.** Only full-time employees are allowed benefits such as sick time, holiday time, retirement plan, medical insurance, etc. Full-time employees are those regularly scheduled to work 35 or more hours each week (disregarding any specially-requested additional hours worked from time to time). All employees who are not full-time employees shall be paid on an hourly basis for actual hours worked.

**Retirement.** The Board will determine, each year, the percentage of salary to be paid into the retirement account for each full-time employee.

[END]

**Appendix K**  
**“Red Flag” Regulations**  
*As adopted April 15, 2009*

**Section 1. Policy and Purpose.** The Board of Directors (the "Board") for the District has developed this Identity Theft Prevention Program (the "Program") as required by Part 681 of Title 16 of the Code of Federal Regulations (the "Rule"), which implements Sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003. This Program was developed for the District with oversight and approval of the Board. After consideration of the size and complexity of the District's operations and account systems and the nature and scope of the District's activities, the Board determined that the adoption of this Program is necessary to detect, prevent and mitigate identity theft in connection with the opening of or any existing Covered Accounts, as defined herein.

**Section 2. Definitions.** Unless otherwise noted, the following definitions follow the definitions included in the Rule.

A. Covered Account: Any account the District offers or maintains primarily for personal, family, household or business purposes that involves multiple payments or transactions and any other account the District offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the District from Identity Theft.

B. District Personnel: The District's consultants and/or employees who use, maintain, collect or otherwise access Identifying Information in connection with a Covered Account.

C. Identity Theft: Fraud committed using the identifying information of another person without authority.

D. Identifying Information: Any name or number that may be used, alone or in conjunction with any other information, to identify a specific person, including name, address, telephone number, social security number, date of birth, government issued driver's license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer's Internet Protocol address, or routing code.

E. Program: The Identity Theft Prevention Program for the District.

F. Program Administrator: The District's Officer Manager is the Program Administrator.

G. Red Flag: A pattern, practice, or specific activity that indicates the possible existence of Identity Theft, as more fully described in this Program.

**Section 3. Identification of Red Flags.** To identify relevant Red Flags, the District has considered the types of accounts that it offers and maintains, the methods it provides to open its accounts, the methods it provides to access its accounts, and its previous experiences with Identity Theft. The District has identified the following Red Flags:

- A. Notifications and Warnings From Consumer Credit Reporting Agencies
1. Report of fraud accompanying a consumer credit report;
  2. Active duty alert accompanying a consumer credit report;
  3. Notice or report from a consumer credit agency of a credit freeze on a customer or applicant;
  4. Notice or report of an address discrepancy from a consumer credit agency; and
  5. Indication from a consumer credit report regarding activity that is

inconsistent with a customer's usual pattern or activity, including but not limited to:

- a) Recent and significant increase in volume of inquiries;
- b) Unusual number of recent credit applications;
- c) A material change in use of credit; and
- d) Accounts closed for cause or abuse.

**B. Suspicious Documents**

1. Documents provided for identification that appear to be forged, altered or inauthentic;
2. Identification document or card containing a person's photograph or physical description that is not consistent with the appearance of the person presenting the document;
3. Other information on a document that is not consistent with information provided by a person opening a new account or existing customer information, such as if a person's signature on a check appears forged; and
4. Application for service that appears to have been altered or forged.

**C. Suspicious Personal Identifying Information**

1. An address or phone number presented that is the same as that of another customer or account;
2. An address presented that is fictitious, a mail drop or a prison;
3. A phone number that is invalid or associated with a pager or answering service;
4. Identifying information presented that is inconsistent with other information the customer provides (example: inconsistent birth dates or phone numbers or lack of correlation between Social Security number range and date of birth);
5. Identifying information presented that is the same as information shown on other applications that were found to be fraudulent;
6. Social Security number presented that is the same as one given by another customer;
7. A person fails to provide complete personal identifying information on an application when reminded to do so (however, by law Social Security numbers may not be required) or an applicant cannot provide information requested beyond what could commonly be found in a purse or wallet; and
8. Identifying information that is not consistent with the information that is on file for the customer.

**D. Suspicious Account Activity or Unusual Use of Account**

1. Change of address for an account followed by a request to change the account holder's name;
2. Request for new/ additional services at multiple addresses;
3. Payments stop on an otherwise consistently up-to-date account;
4. Account used in a way that is not consistent with prior use (example: significant increase in water usage);
5. Mail sent to the account holder is repeatedly returned as undeliverable;
6. Notice to the District that a customer is not receiving mail sent by the District;
7. Notice to the District that an account has unauthorized activity;
8. Breach in the District's computer system security; and

9. Unauthorized access to or use of customer account information.

E. Alerts from Others

1. Notice to the District from a customer, Identity Theft victim, fraud detection service, law enforcement or other person that the District has opened or is maintaining a fraudulent account for a person engaged in Identity Theft.

**Section 4. Detecting Red Flags.**

A. New Accounts. To detect any of the Red Flags identified above associated with the opening of a new account, District Personnel will take one or more of the following steps to obtain and verify the identity of the person opening the account:

1. Require certain identifying information such as name, date of birth, residential or business address, principal place of business for an entity, driver's license or other identification;
2. Require that a customer service agreement be notarized;
3. Verify the customer's identity (for instance, review a driver's license or other identification card);
4. Review documentation showing the existence of a business entity;
5. Request additional documentation to establish identity; and
6. Independently contact the customer or business.

B. Existing Accounts. To detect any of the Red Flags identified above for an existing account, District Personnel will take one or more of the following steps to monitor transactions with an account:

1. Verify the identification of customers if they request information (in person, via telephone, via facsimile, via email);
2. Verify the validity of requests to close accounts or change billing addresses; and
3. Verify changes in banking information given for billing and payment purposes.

**Section 5. Preventing and Mitigating Identity Theft.** In the event District Personnel detect any identified Red Flags, they may take one or more of the following steps, depending on the degree of risk posed by the Red Flag. In determining an appropriate response, the District Personnel or Program Administrator will consider the number of Red Flags detected and any other factors that may heighten the risk of Identity Theft.

1. Continue to monitor an account for evidence of Identity Theft;
2. Contact all affected customers, through multiple methods if necessary;
3. Change any passwords or other security devices that permit access to an account;
4. Close an existing account;
5. Do not open a new account;
6. Do not close the account, but monitor or contact authorities;
7. Reopen an account with a new number;
8. Do not attempt to collect on the account;
9. Do not sell the account to a debt collector;
10. Notify the Program Administrator for determination of the

appropriate steps to take;

11. Notify law enforcement; or
12. Determine that no response is warranted under the particular

circumstances.

To further prevent the likelihood of identity theft occurring with respect to District accounts, the District Personnel will execute the following internal operating procedures to protect Identifying Information:

1. Ensure that any website through which or by which an exchange of information may be made is secure or provide clear notice that the website is not secure;
2. As allowed by law, ensure complete and secure destruction of paper documents and computer files containing Identifying Information once identity has been verified;
3. Ensure that office computers on which Covered Account information is stored or may be accessed are password protected and that computer screens lock after a set period of time;
4. Change passwords on office computers on which Covered Account information is stored or may be accessed on a regular basis;
5. Ensure all computers on which Covered Account information is stored or may be accessed are backed up properly and any backup information is secured;
6. Keep offices clear of papers containing customer information;
7. Request only the last 4 digits of social security numbers (if any);
8. Ensure computer virus protection is up to date for any computers on which Covered Account information is stored or may be accessed; and
9. Require and keep only the kinds of customer information that are necessary for District purposes.

**Section 6. Program Administration and Oversight.** The Board is responsible for developing, implementing and updating this Program. The Program Administrator will be responsible for the Program administration, ensuring appropriate training of District Personnel, reviewing any reports regarding the detection of Red Flags and the steps for preventing and mitigating Identity Theft, determining which steps of prevention and mitigation should be taken in particular circumstances based on the degree of risk posed, and considering periodic updates to the Program.

**Section 7. Staff Training.** Initially, all District Personnel will be trained either by or under the direction of the Program Administrator in the detection of Red Flags, and the responsive steps to be taken when a Red Flag is detected. Thereafter, all District Personnel will undergo update training not less than annually and all new District Personnel will undergo training.

**Section 8. Reports and Program Updates.** The Program will be periodically reviewed and updated to reflect changes in risks to customers and to the safety and soundness of the District from Identity Theft. The Program Administrator will submit a monthly written report to the Board regarding the District's compliance with the Program and a recap of each incident of Identity Theft detection, including any prevention or mitigation steps taken. The Program Administrator will also submit an annual written report evaluating the effectiveness of the Program in addressing Identity Theft risk; significant incidents of Identity Theft detection, including any prevention or mitigation steps taken; and recommendations for changes to the Program. In preparing the annual report, the Program Administrator may consider, among

other things, the District's experiences with Identity Theft situations, changes in Identity Theft methods, changes in Identity Theft detection and prevention methods, changes in types of accounts the District maintains, changes in the District's business arrangements with other entities, consultations with law enforcement authorities and/or agencies, and consultations with other District Personnel. After considering these factors, the Program Administrator will determine whether changes to the Program, including the list of Red Flags, are warranted. If warranted, the Program Administrator will present the District Board with recommended changes and the District Board will make a determination of whether to accept, modify or reject those changes to the Program.

**Section 9. Service Provider Arrangements.** In the event the District engages a service provider to perform an activity in connection with one or more Covered Accounts, the District will take steps to ensure that the service provider conducts its activity in accordance with reasonable policies and procedures designed to detect, prevent and mitigate the risk of Identity Theft. Any such service providers will be required to agree by contract or contract amendment to have such policies and procedures in place and to take appropriate steps to prevent or mitigate identity theft.

**Section 10. Specific Program Elements and Confidentiality.** For the effectiveness of Identity Theft Prevention Programs, the Rule envisions a degree of confidentiality regarding the District's specific practices relating to Identity Theft detection, prevention and mitigation. Therefore, under this Program, knowledge of such specific practices are to be limited to the Board, the Program Administrator and District Personnel who need to know them for purposes of preventing Identity Theft. Because this Program is to be adopted by a public body and thus publicly available, it would be counterproductive to list these specific practices here. Therefore, only the Program's general Red Flag detection, implementation and prevention practices are listed in this document.

[END]

**SIGNATURE IDENTIFICATION AND  
NO-LITIGATION CERTIFICATE**

**THE STATE OF TEXAS**           §  
  §  
**COUNTY OF HARRIS**         §

We, the undersigned officers of MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, certify that we officially signed, on behalf of said District, the following described bonds, to-wit:

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS Unlimited Tax Bonds, Series 2011, aggregating \$2,350,000 initially dated as of August 1, 2011, designated within each maturity "I-1," followed by the last two digits of the year of such maturity, in initial denominations equal to the entire principal amount or maturity amount of each scheduled maturity of such Bonds,

being on the date of such signing and on the date hereof the duly chosen, qualified, and acting officers authorized to execute such bonds, and holding the official titles set forth below opposite our signatures.

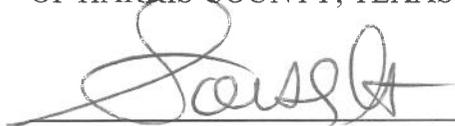
We further certify that no litigation of any nature is now pending or threatened, either in the State or Federal courts, contesting or attacking said bonds or restraining or enjoining their issuance, execution or delivery, or restraining or enjoining the levy and/or collection and/or pledge of the funds from which said bonds are payable, or in any manner questioning the authority or proceedings for the issuance, execution or delivery of said bonds, or challenging the validity or accuracy of the District's boundaries, or affecting the title of the present officials of said District to their offices, and that no proceedings or authority for the issuance, execution or delivery of said bonds have been repealed, rescinded or revoked.

We further certify that the seal which has been impressed upon each of said bonds is the legally adopted, proper and only official seal of the District, said official seal also being impressed on this certificate.

We further certify that no petition or other request has been filed with or presented to any official of the District requesting that any of the proceedings authorizing said bonds be submitted to a referendum or other election.

WITNESS OUR HANDS AND SEAL, this \_\_\_\_ day of \_\_\_\_\_, 2011.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

  
\_\_\_\_\_  
President, Board of Directors

  
\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

The signatures of the above officers are hereby certified to be genuine.

STERLING BANK

By   
\_\_\_\_\_  
Relationship Banker II  
Title of Bank Officer

CONSTRUCTION CERTIFICATE

THE STATE OF TEXAS §  
  §  
COUNTY OF HARRIS §

I, the undersigned, a duly registered professional engineer under the laws of the State of Texas, and a member of Johnston, LLC, the duly appointed and acting engineers for MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS in connection with the issuance by said District of \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), do certify that:

- 1) The necessary approvals for improvements to be constructed with the proceeds of the Bonds have been or will be received from the Texas Commission on Environmental Quality, the City of Houston, Harris County, and all other regulatory or supervising agencies having jurisdiction at the time such approvals were obtained.
- 2) I estimate that the time required to complete said facilities will be 12 months after the District receives the proceeds of the sale of the Bonds.

WITNESS MY HAND AND SEAL this 20<sup>th</sup> day of June, 2011.

Dinh V. Ho, P.E.  
Registered Professional Engineer  
Registration Number 93895

(SEAL)





The bond issue proposes funding of the replacement of water well #3, recoating of the ground storage tanks for the Houghton water plant, upgrading electrical controls of booster pumps and well pumps for Houghton water plant, and construction of an emergency sanitary sewer line creek crossing.

The estimated project cost is as follows:

1. Galleon Oaks Water Well #3 Replacement	\$1,034,355
2. Recoating of Ground Storage Tanks for Houghton Water Plant	\$ 315,000
3. Inspection Services for Coating for Houghton Water Plant	\$ 40,000
4. Upgrade of Electrical Controls for Booster Pumps and Well Pumps for Houghton Water Plant	\$ 50,000
5. Emergency Sanitary Sewer Line Creek Crossing	\$ 300,000
6. Contingencies	
a) 5% Item No. 1	\$ 51,718
b) 10% Item Nos. 2-5	\$ 70,500
Subtotal	\$ 122,218
7. Engineering (10.20% of Item Nos. 1-5)	\$ 173,146
<b>TOTAL CONSTRUCTION COST</b>	<b>\$2,034,719</b>



**CERTIFICATE**

**THE STATE OF TEXAS**       §  
  §  
**COUNTY OF HARRIS**       §

I, the undersigned, a duly registered professional engineer under the laws of the State of Texas, and a member of Johnston, LLC, the duly appointed and acting engineers for MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, do hereby certify that the boundaries of said District have not changed since the issuance authorization for the District's \$2,500,000 Unlimited Tax Bonds, Series 1995.

WITNESS MY HAND AND SEAL this 28<sup>th</sup> day of June, 2011.

*Dinh V. Ho, P.E.*  
Registered Professional Engineer  
Texas Registration No. 93895

(SEAL)



Harris County Appraisal District  
Houston, Texas

CERTIFIED SUMMARY OF 2010 APPRAISAL ROLL VALUE

for

MASON CREEK UD

THE STATE OF TEXAS, }

COUNTY OF HARRIS. }

The following is a true and correct summary of the appraised and taxable value of the real and personal property taxable by the above-named unit and currently included on the appraisal roll of the Harris County Appraisal District for the year 2010:

	APPRAISED	TAXABLE
Certified Roll:	\$452,540,744	\$345,610,788
Supplement(s) and Correction(s) to Date:	\$ 73,150,256	\$ 54,419,106
Total Certified to Date:	\$525,691,000	\$400,029,894

These additional values, not yet on the approved appraisal roll, are subject to Appraisal Review Board action:

APPRAISED	26.01(c) VALUE
\$ 116,953	\$ 21,353

To certify which witness my hand and seal of the Harris County Appraisal District this the 19<sup>th</sup> day of May, 2011.



A handwritten signature in black ink, appearing to read "Guy E. Griscum".

GUY E. GRISCOM  
Assistant Chief Appraiser

**CERTIFICATE FOR RESOLUTION**

**STATE OF TEXAS           §**

**COUNTY OF HARRIS       §**

We, the undersigned officers of the Board of Directors of Mason Creek Utility District of Harris County, Texas, hereby certify as follows:

1. The Board of Directors of Mason Creek Utility District of Harris County, Texas, convened in special session on the 28<sup>th</sup> day of February, 2011, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Asst. Sec./Treasurer
Robert J. Wills	Director

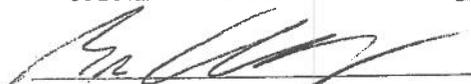
and all of said persons were present, excepting Director Hamblet, thus constituting a quorum. Whereupon, among other business, the following measure, to-wit:

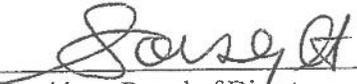
**RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS**

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

2. That a true, full and correct copy of the aforesaid measure adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that the measure has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the measure would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended by the Texas Water Code.

SIGNED AND SEALED this the 11TH day of MARCH, 2011.

  
\_\_\_\_\_  
Secretary, Board of Directors  
(SEAL)

  
\_\_\_\_\_  
President, Board of Directors

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

WHEREAS, MASON CREEK UTILITY DISTRICT of Harris County, Texas ("District") is a municipal utility district duly created by special act of the Legislature and authorized to issue obligations to finance its activities pursuant to Article XVI, §59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code; and

WHEREAS, the District desires to issue bonds for the project described in this resolution; and

WHEREAS, Section 49.181 of the Texas Water Code requires the District, when it desires to issue bonds, to submit in writing an application to the Texas Commission on Environmental Quality ("TCEQ") for investigation of feasibility, together with an engineer's report describing the project, including the data, profiles, maps, plans, and specifications prepared in connection with the report; and

WHEREAS, the District desires to obtain the approval and consent of the TCEQ for the project described in this resolution, which is more completely described below and in the engineer's report submitted in conjunction with such application, and for the issuance of unlimited tax bonds more completely described below; NOW, THEREFORE,

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS:**

Section 1. The facts and matters set out in the preamble are hereby found to be complete, true and correct, and the President and Secretary of the Board are hereby authorized and directed:

- (a) To make application to the TCEQ for an investigation and report on the feasibility of the project described in the chart below and more fully described in the engineer's report submitted in conjunction with such application:

<b>Construction Costs</b>	<b>Amount</b>	<b>District's Share</b>
<b>A. Developer Contribution Items</b>		
Total Developer Contribution Items	N/A	N/A
<b>B. District Items</b>		
1. Galleon Oaks Water Well #3 Replacement	\$1,034,355	\$1,034,355
2. Recoating of Ground Storage Tanks for Houghton Water Plant	315,000	315,000
3. Inspection Services for Coating for Houghton Water Plant	40,000	40,000
4. Upgrade of Electrical Controls for Booster Pumps and Well Pumps for Houghton Water Plant	50,000	50,000
5. Emergency Sanitary Sewer Line Creek Crossing	300,000	300,000
<b>6. Contingencies</b>		
a) 5% Item No. 1	51,718	51,718
b) 10% Items Nos. 2-5	70,500	70,500
Subtotal	122,218	122,218

7. Engineering (10.20% of Item Nos. 1-5)	173,146	173,146
Total District Contribution Items	<u>\$2,034,719</u>	<u>\$2,034,719</u>
<b>TOTAL CONSTRUCTION COST</b>	<b>\$2,034,719</b>	<b>\$2,034,719</b>
Less: Funds on Hand	<u>(34,719)</u>	<u>(34,719)</u>
Net Construction Costs (85.11% of BIR)	\$2,000,000	\$2,000,000
<b>Non Construction Costs</b>		
A. Legal Fees (2.64%)		62,000
B. Fiscal Agent Fees (1.75%)		41,125
C. Interest Costs – Capitalized Interest (1 year @ 5.00%)		117,500
D. Bond Discount (3.00%)		70,500
E. Bond Issuance Expenses		20,650
F. Bond Application Report		30,000
G. Attorney General’s Fee (0.10%)		2,350 <sup>c</sup>
H. TCEQ Bond Issuance Fee (0.25%)		<u>5,875</u>
<b>TOTAL NON CONSTRUCTION COSTS (14.89% of BIR)</b>		<b><u>350,000</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT (BIR)</b>		<b>\$2,350,000</b>

(b) To request the TCEQ to approve issuance of unlimited tax bonds of the District in the principal amount of \$2,350,000, bearing interest at a net effective interest rate not to exceed the highest rate permitted by applicable law and maturing serially in accordance with the amortization schedule provided in said engineer’s report.

Section 2. If 30 TAC §293.59 requires the District to provide a market study, the District respectfully requests a waiver under 30 TAC §293.59(l)(5)(C)(debt ratio less than 10%).

Section 3. If 30 TAC §293.47(d) requires that a developer contribute not less than 30% of the construction costs for water, wastewater and drainage facilities in connection with this application, the District respectfully requests an exemption under 30 TAC §293.47(a)(1)(debt ratio less than 10%).

Section 4. By this application, the District assures the Commission that it will abide by the terms and conditions prescribed by the Commission.

Section 5. In support of this application, Johnston LLC (“Engineer”) is authorized and directed to submit the engineer’s report, in the form required by the TCEQ, together with the data, profiles, maps, plans, and specifications prepared in connection with the report.

Section 6. Each of the following is authorized and directed to do any and all things necessary and proper in connection with this application (and to supply the TCEQ with additional data and information necessary for an investigation of the application, the engineer’s report, and the project): the President of the Board of Directors, the Secretary of the Board of Directors, the other Directors of the District, the Engineer, the District’s financial advisor (Bill Blich), the District’s attorney (James L. Dougherty, Jr.), the District’s bond counsel (Michael A. Cole), the District’s bookkeeper and officer manager (Donna Caldwell), the other employees of the District, and the District’s operator (James M. Parrott Utility Operations, Inc.).

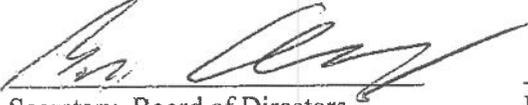
Section 7. A certified copy of this resolution shall constitute an application and request on

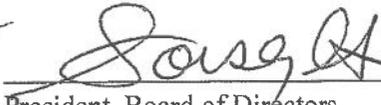
behalf of the District to the Commission pursuant to Section 49.181 of the Texas Water Code, for investigation of feasibility and approval of the project and bonds described in Section 1, above.

ADOPTED the 28th day of February, 2011.

ATTEST: (SEAL)

MASON CREEK UTILITY DISTRICT

  
Secretary, Board of Directors

  
President, Board of Directors

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTICE OF AND CONSENT TO SPECIAL MEETING:  
APPROVAL OF RESOLUTION AUTHORIZING APPLICATION TO  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR  
APPROVAL OF PROJECT AND BONDS**

**STATE OF TEXAS**           §  
  §  
**COUNTY OF HARRIS**       §

I, the undersigned, a duly qualified and acting member of the Board of Directors of Mason Creek Utility District of Harris County, Texas, do hereby certify that I was duly, sufficiently and personally notified, in advance, of the time, place and purpose of a special meeting of the Board of Directors of said District held on February 28, 2011, at which meeting the Board of Directors of the District authorized approval of a Resolution Authorizing Application to Texas Commission on Environmental Quality for Approval of Project and Bonds, and I do hereby confirm the approval of such Resolution by the Board of Directors of said District at said special meeting.

WITNESS MY HAND this 25<sup>th</sup> day of May, 2011.

  
\_\_\_\_\_  
James G. Hamblet, III

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

May 24, 2011

Len Forsyth, President  
Board of Directors  
Mason Creek UD of Harris County  
847 Dominion Drive  
Katy, Texas 77450-2022

James Dougherty, Attorney  
James L. Dougherty, Jr., Attorney at Law  
12 Greenway Plaza, Suite 1100  
Houston, Texas 77046

RE: Mason Creek Utility District of Harris County

This letter is your notice that the Texas Commission on Environmental Quality (TCEQ) executive director (ED) has issued final approval of the above-named application. According to 30 Texas Administrative Code (TAC) Section 50.135 the approval became effective on the date the ED signed the permit or other approval. A copy of the final approval is enclosed and cites the effective date.

You may file a **motion to overturn** with the chief clerk. A motion to overturn is a request for the commission to review the TCEQ executive director's approval of the application. Any motion must explain why the commission should review the TCEQ executive director's action. According to 30 TAC Section 50.139 an action by the ED is not affected by a motion to overturn filed under this section unless expressly ordered by the commission.

A motion to overturn must be received by the chief clerk within 23 days after the date of this letter. An original and 7 copies of a motion must be filed with the chief clerk in person or by mail. The Chief Clerk's mailing address is Office of the Chief Clerk (MC 105), TCEQ, P.O. Box 13087, Austin, Texas 78711-3087. On the same day the motion is transmitted to the chief clerk, please provide copies to Robert Martinez, Environmental Law Division Director (MC 173), and Blas Coy, Public Interest Counsel (MC 103), both at the same TCEQ address listed above. If a motion is not acted on by the commission within 45 days after the date of this letter, then the motion shall be deemed overruled.

You may also request **judicial review** of the ED's approval. According to Texas Water Code Section 5.351 a person affected by the ED's approval must file a petition appealing the ED's approval in Travis County district court within 30 days after the effective date of the approval. Even if you request judicial review, you still must exhaust your administrative remedies, which includes filing a motion to overturn in accordance with the previous paragraphs.

Individual members of the public may seek further information by calling the TCEQ Office of Public Assistance, toll free, at 1-800-687-4040.

Sincerely,

A handwritten signature in cursive script that reads "Melissa Chao".

Melissa Chao  
Acting Chief Clerk

MC/at

cc: Blas Coy, TCEQ Public Interest Counsel (MC 103)

Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

May 24, 2011

Mr. Len Forsyth, President  
Board of Directors  
Mason Creek Utility District of Harris County  
847 Dominion Drive  
Katy, Texas 77450

Re: Issuance of bonds by Mason Creek Utility District of Harris County in the amount of \$2,350,000 at a maximum net effective interest rate of 5.19%.

Dear Mr. Forsyth:

Enclosed are certified copies of an Order of the Commission approving your District's project and the issuance of bonds in the amount of \$2,350,000 at a maximum net effective interest rate of 5.19% to finance the District's projects, all being more fully set out in the Order.

Your attention is directed to Tex. Water Code § 54.601, which reads as follows:

At the time bonds payable in whole or in part from taxes are issued, the board shall levy a continuing direct annual ad valorem tax for each year while all or part of the bonds are outstanding on all taxable property within the District in sufficient amount to pay the interest on the bonds as it becomes due and to create a sinking fund for the payment of the principle of the bonds when due or the redemption price at any earlier required redemption date and to pay the expenses of assessing and collecting the taxes.

We have concluded that initially a tax of not less than \$0.05 per \$100 valuation should be levied to pay interest and principle, and the cost of assessing and collecting such taxes.

A certificate from the Harris County Appraisal District, included in the application for approval of bonds, certified total assessed valuation of property within the District to be \$402,220,921 as of January 1, 2010. Application of the recommended tax rate to this property valuation should provide sufficient funds to satisfy the average annual debt service requirement of \$164,860.

You should read the enclosed Order carefully. This action is taken under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

Mr. Len Forsyth  
Page 2

A copy of the Commission's Order and this letter are being sent to the Attorney General's Office, Public Finance Division, Austin, Texas. Also, copies are being provided to your Attorney, Engineer and Fiscal Agent of record.

Sincerely,



Linda Brookins, Director  
Water Supply Division  
Texas Commission on Environmental Quality

LB/ML

Enclosures

cc: Mr. James Dougherty - James L. Dougherty, Jr., Attorney at Law - 12  
Greenway Plaza - Suite 1100 - Houston, Texas 77046  
Mr. Dinh V. Ho, P.E. - Johnston, LLC - 800 Wilcrest - Suite 150 - Houston,  
Texas 77042  
Mr. Bill Blitch - Blitch Associates, Inc. - 11111 Katy Freeway - Suite 820 -  
Houston, Texas 77079  
Attorney General's Office - Public Finance Division - P.O. Box 12548 -  
Capitol Station - Austin, Texas 78711-2548

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

THE STATE OF TEXAS  
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a Texas Commission on Environmental Quality document, which is filed in the permanent records of the Commission. Given under my hand and the seal of office on



*Melissa Chao* MAY 24 2011  
Melissa Chao, Acting Chief Clerk  
Texas Commission on Environmental Quality

AN ORDER APPROVING AN ENGINEERING PROJECT  
AND THE ISSUANCE OF \$2,350,000 IN UNLIMITED TAX BONDS FOR  
MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY

An application by Mason Creek Utility District of Harris County (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "Commission") for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project and the issuance of \$2,350,000 in bonds to finance Galleon Oaks water well no. 3 replacement, recoating of ground storage tanks for Houghton Water Plant, inspection services for coating for Houghton Water Plant, upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant, and emergency sanitary sewer line creek crossing. The Commission has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the Commission on March 16, 2011 for approval of a proposed engineering project and the issuance of \$2,350,000 in bonds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. A memorandum was prepared on the project dated May 16, 2011, a copy of which is attached and made a part hereof.
4. The District's project and issuance of \$2,350,000 in bonds at a maximum net effective interest rate of 5.19% to finance the project should be approved.
5. The District should be directed not to expend \$346,500 (\$315,000 construction plus \$31,500 contingency) for recoating of ground storage tanks for Houghton Water plant, \$44,000 (\$40,000 construction plus \$4,000 contingency) for inspection services for coating for Houghton Water Plant, \$55,000 (\$50,000 construction plus \$5,000 contingency) for upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant, and \$330,000 (\$300,000 construction plus \$30,000 contingency) for emergency sanitary sewer line creek crossing pending District Board receipt of plans and/or specifications, as needed, for all projects approved by all entities with jurisdiction.

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

7c. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.
2. The Executive Director has investigated the District, and the Commission has found it legally organized and feasible.
3. The Utilities and Districts Section's memorandum dated May 16, 2011, on this engineering project and bond issue should be adopted as the written Commission project report in compliance with TEX. WATER CODE § 49.181(d).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated May 16, 2011, on this engineering project and bond issue is adopted as the written Commission project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Mason Creek Utility District of Harris County is hereby approved together with the issuance of \$2,350,000 in bonds at a maximum net effective interest rate of 5.19%. The District is directed not to expend \$346,500 (\$315,000 construction plus \$31,500 contingency) for recoating of ground storage tanks for Houghton Water plant, \$44,000 (\$40,000 construction plus \$4,000 contingency) for inspection services for coating for Houghton Water Plant, \$55,000 (\$50,000 construction plus \$5,000 contingency) for upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant, and \$330,000 (\$300,000 construction plus \$30,000 contingency) for emergency sanitary sewer line creek crossing pending District Board receipt of plans and/or specifications, as needed, for all projects approved by all entities with jurisdiction. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff.

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

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

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

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

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

Issue Date: **May 23, 2011**

  
\_\_\_\_\_  
For the Commission

# Texas Commission on Environmental Quality

## TECHNICAL MEMORANDUM

To: *Stuber*  
*JP* Tammy Benter, Manager  
Utilities & Districts Section

Date: May 16, 2011

Thru: *ML*  
*for* Anthony Schneider, P.E.  
Utilities & Districts Section

From: Districts Bond Team

Subject: Mason Creek Utility District; Application for Approval of \$2,350,000  
Unlimited Tax Bonds, Sixth Issue, 5.19% Net Effective Interest Rate, Series  
2011; Pursuant to Texas Water Code Section 49.181.  
TCEQ Internal Control No. 03162011-DO1 (TC)  
CN: 600649305 RN: 101205102

### A. GENERAL INFORMATION

The Commission received an application from Mason Creek Utility District (the "District") requesting approval for the issuance of \$2,350,000 in unlimited tax bonds to finance the District's share of the following projects:

1. Galleon Oaks water well no. 3 replacement;
2. Recoating of ground storage tanks for Houghton Water Plant;
3. Inspection services for coating for Houghton Water Plant;
4. Upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant; and
5. Emergency sanitary sewer line creek crossing.

The District's previous bond issues funded utilities to serve 2,909 equivalent single family connections (ESFCs) on 868.14 acres. No new connections are being funded in this bond issue. The District is, in essence, built-out.

## B. ECONOMIC ANALYSIS

### Tax Rate Analysis

The feasibility of this bond issue is based on the existing 2,883 ESFCs as of February 20, 2011, and no-growth to the certified taxable assessed valuation of \$402,220,921 as of January 1, 2010. A market study has not been provided, and is not required since the feasibility is based on no-growth.

According to a Harris County Appraisal District certificate, the District's January 1, 2010 certified taxable assessed valuation is \$402,220,921. The annual debt service requirement for the proposed bond amount of \$2,350,000 and existing debt averages \$164,860 for the 25-year life of the District's bond debt. The District levied a maintenance tax of \$0.346 in 2010 and, according to the engineering report, is projecting to levy the same maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$2,350,000 bond issue, no-growth to the 2010 certified taxable assessed valuation, 12 months of capitalized interest, a bond interest rate of 5.0%, a 3% bond discount, a 100% collection rate, and an projected tax rate of \$0.044 per \$100 assessed valuation. The Utilities and Districts Section's financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rate would be sufficient.

	Projected Tax Rate
District	
Debt Service	\$0.050 <sup>(1)</sup>
Maintenance	<u>\$0.346</u>
Total District Taxes	\$0.396 <sup>(2)</sup>

Notes: (1) Based on a net effective interest rate of 5.19%, a 98% collection rate, no-growth to a taxable assessed valuation of \$402,220,921 and at least a 25% ending debt service fund balance.

(2) Represents the combined projected and no-growth tax rates as defined by 30 TAC Sections 293.59(f) and (e).

### Additional Financial Comments

The District is exempt from the 75% and 25% build-out requirements of 30 TAC Sections 293.59(l)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$0.396 being less than \$1.50 pursuant to 30 TAC Sections 293.59(l) and 293.59(k)(11)(C).

## C. ENGINEERING ANALYSIS

### Water Supply

The District's source of water supply is ground water from four wells at existing District plants. The District does not currently use surface water as a supply. In accordance with the District's

participation in the City of Houston's groundwater reduction plan, District wells are permitted by the Harris-Galveston Subsidence District under a general permit for the City while ownership of the wells is retained by the District.

The District plans to fund improvements at the existing water plants with this bond issue. Proposed improvements include replacement of District water well no. 3 at the Galleon Oaks water plant, and recoating of ground storage tanks and upgrading of electrical controls at the Houghton Water Plant.

The following table summarizes the existing groundwater supply facilities that serve the District along with the ESFC capacity of each component based on criteria stated in 30 TAC Section 290.45:

<u>Facility</u>	<u>Minimum Requirements</u>	<u>Total Capacity (ESFCs)</u>
Water Well	0.6 gpm/ESFC	5,900 gpm <sup>(1)</sup> (9,833 ESFCs)
Pressure Tank	20 gal/ESFC or 30,000 gal max.	25,000 gal (1,250 ESFCs)
Elevated Storage	100 gal/ESFC	500,000 gal (5,000 ESFCs)
Ground Storage	200 gal/ESFC	2,940,000 gal (14,700 ESFCs)
Booster Pump	2 gpm/ESFC	7,000 gpm (3,500 ESFCs)

Note: (1) Includes 1,000 gpm water well no. 3 replacement.

The District has three emergency interconnects, normally closed, with Green Trails MUD, Harris County MUD No. 81 and Interstate MUD.

The District's existing water supply capacity appears adequate to serve the existing 2,883 ESFCs upon which the feasibility of this bond issue is based.

#### Wastewater Treatment

Wastewater treatment for the District is provided by the West Memorial Regional Wastewater Treatment Plant and the Cinco Regional Sewage Treatment Plant. The West Memorial plant operates under TPDES Permit No. 11152-001 which authorizes an average daily flow of 6.48 mgd. The District owns 0.8 mgd of capacity in the regional plant pursuant to the Waste Treatment Agreement dated August 30, 1983. The Cinco plant operates under TPDES Permit No. 11893-001 which authorizes an average daily flow of 3.0 mgd. The District owns 0.5 mgd of capacity in the regional plant pursuant to the Cinco Regional Sewage Treatment Plant Agreement dated December 11, 1997, as amended. Based on design criteria of 300 gpd/ESFC,

the District's existing wastewater treatment capacity can serve 4,333 ESFCs, which appears adequate to serve the existing 2,883 ESFCs upon which the feasibility of this bond issue is based.

With this bond issue, the District plans to fund a wastewater conveyance facility.

#### Storm Water Drainage

Storm water drainage for the District is collected by curb inlets to an underground system which drains into Mason Creek and then into Barker Reservoir.

#### Purchase of Existing Facilities / Assumption of Contracts

Project	Contractor	% Complete	Contract Amount	District Share
Galleon Oaks Water Well No. 3 Replacement	Alsay, Inc.	17% (02/22/11)	\$1,034,355 <sup>(1)</sup>	\$1,034,355

Note: (1) Represents contract bid amount (\$1,183,555) less change order no. 1 (\$149,200). Approved plans, specifications and various construction contract documents have been provided for this contract.

#### Facilities to be Constructed

Project	Estimated Cost	District Share
1. Recoating of ground storage tanks for Houghton Water Plant	\$315,000	\$315,000
2. Inspection services for coating for Houghton Water Plant	\$40,000	\$40,000
3. Upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant	\$50,000	\$50,000
4. Emergency sanitary sewer line creek crossing	\$300,000	\$300,000

Approved plans and specifications, and required contract documents for projects 1 – 4 have not been provided.

**D. SUMMARY OF COSTS**

Construction Costs	Amount
A. Developer Contribution Items - None	
B. District Items	
1. Galleon Oaks Water Well No. 3 Replacement	\$ 1,034,355
2. Recoating of ground storage tanks for Houghton Water Plant	315,000
3. Inspection services for coating for Houghton Water Plant	40,000
4. Upgrade of electrical controls for booster pumps for Houghton Water Plant	50,000
5. Emergency sanitary sewer line creek crossing	300,000
6. Contingencies (5% of item 1, 10% of items 2 - 5)	122,218
7. Engineering (10.2% of items 1 - 5)	<u>173,146</u>
Total District Items	\$ 2,034,719
TOTAL CONSTRUCTION COSTS (86.5% of BIR)	\$ 2,034,719
Less Funds on Hand	(34,719) <sup>(1)</sup>
NET CONSTRUCTION COSTS (85.1% of BIR)	\$2,000,000
Nonconstruction Costs	
A. Legal Fees (2.64%)	\$ 62,000 <sup>(2)</sup>
B. Fiscal Agent Fees (1.75%)	41,125 <sup>(3)</sup>
C. Capitalized Interest (12 months @ 5%)	117,500
D. Bond Discount (3%)	70,500
E. Bond Issuance Expenses	20,650
F. Bond Application Report Costs	30,000
G. Attorney General Fee (0.10%)	2,350
H. TCEQ Bond Issuance Fee (0.25%)	<u>5,875</u>
TOTAL NONCONSTRUCTION COSTS	\$ 350,000
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$2,350,000</b>

- Notes: (1) Verified by March 10, 2011 Certification of Funds On Hand executed by District's Bookkeeper.
- (2) Contract provided indicates fees to be 3% of the first \$1 million of bonds issued plus 2.5% of the next \$1 million issued plus 2% of the amount issued over \$2 million.
- (3) Contract provided indicates fees to be 1.75% of the par value of the bonds issued up to \$3 million plus 1% of the par value of bonds issued over \$3 million.

## **E. SPECIAL CONSIDERATIONS**

### Expenditure of Construction Funds

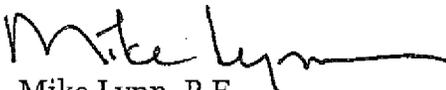
The cost summary includes funds for water plant and wastewater collection system improvements for which additional documentation is required and has not been provided. Therefore, the funds should not be expended by the District pending receipt of the required documentation.

## **F. CONCLUSIONS**

1. Based on \$21,999,000 in bonds approved by voters and \$16,870,000 previously approved by the Commission and issued by the District, the District has sufficient voter authorized bonds (\$5,129,000) for the proposed bond issue.
2. Based on the review of the engineering report and supporting documents, the bond issue is considered feasible and meets the economic feasibility criteria established by 30 TAC Section 293.59.
3. The recommendations are made under authority delegated by the Executive Director of the Texas Commission on Environment Quality.

## **G. RECOMMENDATIONS**

1. Approve the bond issue in the amount of \$2,350,000, in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.19%.
2. Direct the District to levy an initial ad valorem debt service tax of at least \$0.050 per \$100 assessed valuation.
3. Direct the District not to expend \$346,500 (\$315,000 construction plus \$31,500 contingency) for recoating of ground storage tanks for Houghton Water plant, \$44,000 (\$40,000 construction plus \$4,000 contingency) for inspection services for coating for Houghton Water Plant, \$55,000 (\$50,000 construction plus \$5,000 contingency) for upgrade of electrical controls for booster pumps and well pumps for Houghton Water Plant, and \$330,000 (\$300,000 construction plus \$30,000 contingency) for emergency sanitary sewer line creek crossing pending District Board receipt of plans and/or specifications, as needed, for all projects approved by all entities with jurisdiction.
4. Standard recommendations regarding consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.

  
Mike Lynn, P.E.  
Districts Bond Team

**CERTIFICATE OF RESOLUTION**

**STATE OF TEXAS           §**

**COUNTY OF HARRIS       §**

We, the undersigned officers of the Board of Directors of Mason Creek Utility District of Harris County, Texas, hereby certify as follows:

1. The Board of Directors of Mason Creek Utility District of Harris County, Texas, convened in Special Session, on the 29th day of June, 2011 at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Assistant Secretary/Treasurer
Robert J. Wills	Director

and all of said persons were present, excepting Director Wills, thus constituting a quorum. Whereupon, among other business, the following measure, to-wit:

**RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,350,000 UNLIMITED TAX BONDS, SERIES 2011; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; AWARDING THE SALE THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT**

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

2. That a true, full and correct copy of the aforesaid measure adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that the measure has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the measure would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended by the Texas Water Code.

SIGNED AND SEALED this the 29th day of June, 2011.

  
Secretary Board of Directors  
(SEAL)

  
President, Board of Directors

**RESOLUTION AUTHORIZING THE ISSUANCE OF \$2.350,000 UNLIMITED TAX BONDS, SERIES 2011; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; AWARDING THE SALE THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01. AUTHORITY FOR THE DISTRICT. Mason Creek Utility District of Harris County, Texas (the "District") was created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971 (compiled as Vernon's Texas Civil Statutes Article 8280-551, and herein referred to as the "Act") pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The Act vests the District with all the rights, powers, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including, without limitation, those conferred by Chapter 54, Title 4, Texas Water Code.

Section 1.02. PURPOSES OF THE DISTRICT. The District was heretofore created by the Act of the Texas Legislature, and the creation of the District has been heretofore duly confirmed by elections within the District, for the following purposes:

- (a) the control, storage, preservation, and distribution of its storm water and floodwaters, the waters of its rivers and streams, for irrigation, power, and all other useful purposes;
- (b) the reclamation and irrigation of its arid, semi-arid, and other lands needing irrigation;
- (c) the reclamation and drainage of its overflowed lands, and other lands needing irrigation;
- (d) the conservation and development of its forests, water and hydroelectric power;
- (e) the navigation of its inland and coastal waters;
- (f) the control, abatement, and change of any shortage of harmful excess of water;
- (g) the protection, preservation, and restoration of the purity and sanitary condition of water within the state; and
- (h) the preservation of all natural resources of the state.

Section 1.03. POWERS OF THE DISTRICT. The District is authorized by the Act to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any and all works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes of its creation, including all works, improvements, facilities, plants, equipment, and appliances incident, helpful, or necessary to:

- (a) supply water for municipal uses, domestic uses, power, and commercial purposes and all other beneficial uses or controls;
- (b) collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid, solid, or composite state;
- (c) gather, conduct, divert, and control local storm water or other local harmful excesses of water in the District;
- (d) irrigate the land in the District;
- (e) alter land elevation in the District where it is needed;
- (f) navigate coastal and inland waters of the District; and
- (g) provide parks and recreational facilities for the inhabitants in the District.

Section 1.04. AUTHORITY OF THIS RESOLUTION. The District is authorized by the Act to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any District works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes for which the District was created, including works, improvements, facilities, plants, equipment and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer and drainage system, solid waste disposal system, or to provide parks and recreation facilities, or to make payment of sums due or to become due under contracts for such purposes.

Section 1.05. FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set out in this Article One are true and correct;
- (b) at elections held within and for the District on June 17, 1972, December 30, 1974, April 3, 1976, and July 11, 1981, the District was authorized to issue the bonds of the District in the maximum amount of \$14,499,000 for the purposes of the acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for the District and for the further purpose of the acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within the District, said bonds to be payable from a sufficient tax upon all taxable property within the District and to be secured by a pledge of all or any designated part or parts of the revenues resulting from the ownership or operation of the District's

works, improvements, facilities, plants, equipment and appliances, or under specific contracts;

- (c) at an election held within the District on December 4, 1993 the District was authorized to issue the bonds of the District in the maximum amount of \$7,500,000 for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system including all additions, works, improvements, facilities, plants, equipment, appliances, interests in property and administrative facilities needed in connection therewith, said bonds to be payable from a sufficient tax upon all taxable property within the District;
- (d) the elections described in Paragraphs (b) and (c) hereof were called and held under and in strict conformity with the Constitution and laws of the State of Texas, and of the United States of America, and the Board of Directors has heretofore officially declared the results of said elections and declared that the District is legally authorized to issue the bonds described in Paragraphs (b) and (c);
- (e) pursuant to the authority of the elections described in Paragraph (b) above, the District has heretofore issued its \$3,035,000 Water and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1973 (the "Series 1973 Bonds"), dated as of June 1, 1973; its \$1,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1976 (the "Series 1976 Bonds"), dated as of March 1, 1976; its \$2,360,000 Waterworks and Sewer Combination Unlimited Tax and Revenue Bonds Series, 1976-A (the "Series 1976-A Bonds"), dated as of September 1, 1976; its \$3,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds (the "Series 1980 Bonds"), Series 1980, dated as of June 1, 1980; its \$4,050,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1982 (the "Series 1982 Bonds"), dated as of February 1, 1982; its \$2,800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1987 (the "Series 1987 Bonds") dated as of September 1, 1987; its \$7,240,000 Unlimited Tax Refunding Bonds, Series 1992 (the "Series 1992 Bonds") dated as of September 1, 1992; and its \$2,500,000 Unlimited Tax Bonds, Series 1995 (the "Series 1995 Bonds") dated as of March 1, 1995, to commence and continue the purchase and construction of a waterworks and sanitary sewer system and a drainage and storm sewer system for the District; and refinance a portion of the District's indebtedness;
- (f) the Bonds authorized by this Resolution are to be issued out of the December 4, 1993 bond election authorization for \$7,500,000 in bonds described in Paragraph (c) to acquire, construct, improve and repair the District's waterworks, sanitary sewer and drainage and storm sewer system, and after the issuance of the bonds authorized by this Resolution there will remain \$5,150,000 in bonds authorized but unissued;
- (g) the bonds referred to in paragraph (e) including an issue to refinance a portion of same are no longer outstanding;

- (h) the District has been authorized to levy taxes, and the taxes to be collected will be sufficient to pay the principal of the bonds herein authorized as it matures and the interest thereon as it accrues and becomes payable.

(END OF ARTICLE ONE)

## ARTICLE TWO

### DEFINITIONS AND INTERPRETATIONS

SECTION 2.01. DEFINITIONS. The definitions of the terms and phrases contained in this Resolution (hereinafter defined), shall apply with equal force herein and are hereby adopted as a part of this Resolution (except in Article Five hereof) and in any resolution amendment or supplement hereto; provided, however, that where such definitions are inconsistent or in conflict with the terms and provisions of this Resolution, the definitions contained in this Resolution shall govern:

#### Additional Bonds.

The term "Additional Bonds" shall mean the additional bonds payable from ad valorem taxes which the District may issue from time to time in the future.

#### Authorized Investments.

The term "Authorized Investments" shall mean all direct obligations of the United States or one of its agencies, the State of Texas, or any county, city, school district, or other political subdivision of the State and certificates of deposit of state or national banks or savings and loan associations within the State provided that they are secured in the manner and to the extent required under the Public Funds Investment Act, Chapter 2256, Texas Government Code.

#### Board of Directors.

The term "Board of Directors" or "Board" shall mean the governing body of the District.

#### Bonds.

The term "Bond," or "Bonds," shall mean any Bond or Bonds, as the case may be, of the issue of \$2,350,000 Unlimited Tax Bonds, Series 2011, dated August 1, 2011, authorized, issued and delivered pursuant to this Resolution.

#### Closing Date or Issuance Date

The term Closing Date or Issuance Date shall mean the date on which the Bonds are initially authenticated and delivered to the Purchaser against payment therefor.

#### Construction Fund.

The term "Construction Fund" or "Capital Improvements Fund" shall mean the District's construction fund which is created and established in Section 7.01 of this Resolution and into which a portion of the proceeds from the sale of the Bonds is to be deposited and used in accordance with Section 8.04 of the Resolution.

Debt Service Fund

The term Debt Service Fund shall mean the account of the District established or confirmed in Section 7.01, 7.03 and 6.02 of this Resolution.

District.

The term "District" shall mean Mason Creek Utility District of Harris County, Texas, and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

DTC.

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

DTC Participant.

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

EMMA.

The term "EMMA" shall mean the Electronic Municipal Market Access System.

Fiscal Year.

The term "Fiscal Year" shall mean the twelve-month fiscal year period of the District, which is currently the twelve-month period beginning July 1 of each year and ending on June 30 of the following year, but which may be changed from time to time by the Board.

Holder.

The term "Holder", "Holders" or "Owner", when used with respect to any Bond, shall mean the Person or Persons in whose name such Bond is registered on the Register.

Initial Bonds.

The term "Initial Bonds" shall mean the Bonds authorized to be issued and initially delivered hereunder upon which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

Initial Date.

The term "Initial Date" shall mean August 1, 2011, the date of the Bonds.

Initial Purchaser.

The term "Initial Purchaser" shall mean the Person purchasing the Bonds as stated in Section 13.01 hereof.

Interest Payment Date.

The term "Interest Payment Date" shall mean the date on which interest on the Outstanding Bonds is due and payable and shall be each February 1 and August 1 commencing February 1, 2012.

Maturity Date.

The term "Maturity Date" or "Maturity" shall mean any date on which the principal of any then Outstanding Bond becomes due and payable as therein provided, whether at the Stated Maturity or by call for redemption or otherwise.

MSRB.

The term "MSRB" shall mean the Municipal Securities Rulemaking Board.

NRMSIR.

The term "NRMSIR" shall mean each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

Outstanding Bonds.

The term "Outstanding Bonds" shall mean the remaining outstanding portions of the District's Bonds.

Paying Agent.

The term "Paying Agent" shall mean the agency maintained from time to time by the District for the purpose of making payment on behalf of the District of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

Person.

The term "Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.09 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such dates are business days.

Redemption Date.

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

Redemption Price.

The term "Redemption Price" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the terms of this Resolution, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

Refunding Bonds.

The term "Refunding Bonds" shall mean the bonds which the District reserves the right to issue in Section 9.03 of this Resolution.

Register.

The term "Register" shall mean the registry system maintained on behalf of the District by a Registrar designated by the District for such purpose in which are maintained the names and addresses of Holders and the principal amounts and Maturity Amount of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the bank, trust company, financial institution or other entity as may hereafter be designated as such from time to time by the District to act as Registrar for the Bonds, as provided in Section 12.05 of this Resolution.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and

supplements hereto.

Rule.

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

SEC.

The term "SEC" shall mean the United States Security and Exchange Commission.

System.

The term "System" shall mean the waterworks system, sanitary sewer system, and drainage and storm sewer system of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor and administrative facilities needed in connection therewith, now owned or to be hereafter purchased, constructed or otherwise acquired, whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, except the water, sewer and/or drainage facilities which the District may purchase or acquire with the proceeds of the sale of Special Project Bonds, notwithstanding that such facilities may be physically connected with the System.

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

(END OF ARTICLE TWO)

## ARTICLE THREE

### AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the District to be known and designated as Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2011, shall be issued in the aggregate principal amount of TWO MILLION THREE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,350,000) for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system for the District, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor in connection therewith, under and in strict conformity with the Constitution and laws of the State of Texas, particularly (but not by way of limitation), Section 59 of Article XVI of the Constitution of Texas, the Act, and Chapters 49 and 54, Texas Water Code, as amended.

SECTION 3.02. FORM, INITIAL DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be dated as of the Initial Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. The Initial Bonds submitted for approval, registration and delivery in accordance with Section 3.05 hereof shall be numbered "I-1", followed by the last two digits of the year in which such Initial Bond is scheduled to mature. Each Bond registered and delivered by the Registrar thereafter shall be numbered consecutively in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. The Bonds shall be serial and term Bonds, shall bear interest from the Initial Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate or rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

**SERIAL BONDS**

<b>Principal Amount</b>	<b>Year of Stated Maturity</b>	<b>Interest Rate</b>
\$85,000	2012	4.00%
\$90,000	2013	4.00%
\$90,000	2014	4.00%
\$95,000	2015	4.00%
\$95,000	2016	4.00%
\$100,000	2017	4.00%
\$100,000	2018	4.00%
\$105,000	2019	4.00%

**TERM BONDS**

<u>Maturity</u>	<u>Mandatory Redemption Date(s)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
\$215,000 maturing August 1, 2021	August 1, 2020 August 1, 2021	\$105,000 \$110,000	3.00% 3.00%
\$235,000 maturing August 1, 2023	August 1, 2022 August 1, 2023	\$115,000 \$120,000	3.300% 3.300%
\$245,000 maturing August 1, 2025	August 1, 2024 August 1, 2025	\$120,000 \$125,000	3.600% 3.600%
\$275,000 maturing August 1, 2027	August 1, 2026 August 1, 2027	\$135,000 \$140,000	3.875% 3.875%
\$295,000 maturing August 1, 2029	August 1, 2028 August 1, 2029	\$145,000 \$150,000	4.125% 4.125%
\$325,000 maturing August 1, 2031	August 1, 2030 August 1, 2031	\$160,000 \$165,000	4.300% 4.300%

**SECTION 3.04. INTEREST PAYMENT DATES AND MANNER OF PAYMENT.** Interest on the Bonds shall be payable semi-annually on February 1 and August 1 of each year, with the first interest payment to be made on February 1, 2012. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months and a 180-day semi-annual period of six 30-day months. Ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such

Interest Payment Date and shall send to the District notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The payments of interest on the Bonds shall be payable by check dated as of such Interest Payment Date, and mailed by the Paying Agent to the Holder, at the address shown on the Register, or by wire transfer on such Interest Payment Date to such Holder, or by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. The interest so payable on any Interest Payment Date will be paid to the person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05. EXECUTION AND REGISTRATION OF BONDS. (a) The Bonds shall be signed by the President or Vice President of the Board and countersigned by the Secretary or Assistant Secretary of the Board, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) If any officer of the District whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

(c) The President or Vice President and Secretary or Assistant Secretary of the Board of Directors of the District and representatives of the District's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Bonds to be initially issued, the Comptroller (or the Comptroller's bond clerk or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

(d) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Registrar's Authentication Certificate substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Registrar. In lieu of the executed Registrar's Authentication Certificate described above, the Initial Bonds delivered at the Closing Date shall have attached hereto the Comptroller's Registration Certificates substantially in

the form provided herein, manually executed by the Comptroller, or by his duly authorized agent, which certificates shall be evidence that the Initial Bonds have been duly approved by the Attorney General of the State of Texas and that they are valid and binding obligations of the District, and have been registered by the Comptroller.

(e) On the Closing Date, the Initial Bonds, issued in denominations equal to the entire principal amount of each scheduled maturity of the Bonds (the "Initial Bonds"), payable in stated installments to the Initial Purchaser or its designee, executed by manual or facsimile signature of the President or Vice President and Secretary or Assistant Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller, shall be delivered to the Initial Purchaser or its designee but only upon receipt of the full purchase price thereof. Upon payment for the Initial Bonds, the Registrar shall cancel the Initial Bonds and deliver Bonds to DTC.

SECTION 3.06. PAYMENT OF PRINCIPAL AND INTEREST. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at maturity or earlier redemption at the principal corporate trust office of the Registrar in Houston, Texas.

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

Amounts held by the Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

SECTION 3.08. REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal corporate trust office, and, in addition, shall maintain a copy of the Register at its office in Houston, Texas, and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar in Houston, Texas, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar shall authenticate and deliver in exchange therefor, within three

Business Days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

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

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

SECTION 3.09. REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the District shall cause to be executed and the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas, and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed and the Registrar shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

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

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss,

damage, cost or expense incurred by the District, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

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

SECTION 3.10. CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated and delivered in accordance herewith shall be canceled or destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent and Registrar shall periodically furnish the District with appropriate certificates of destruction of such Bonds.

SECTION 3.11. BOOK-ENTRY ONLY SYSTEM. Notwithstanding the provisions of other Sections in Article III and IV hereof relating to payment, transfer/exchange and redemption of the Bonds, the District hereby approves and authorizes the use of "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC in accordance with DTC's requirements and procedures, and authorizes the District and Paying Agent and Registrar to take such actions as necessary to qualify the Bonds with DTC and to deliver the Bonds to DTC.

(a) The Initial Bonds shall be registered in the name of the Initial Purchaser. Except as provided in Section 3.05 and Section 3.12 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this

Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest checks being mailed to the Owner of record as of the Record Date, the phrase "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(c) The execution and delivery of the Blanket Issuer Letter of Representations is hereby approved with such changes as may be approved by the President of the Board, and the President of the Board is hereby authorized and directed to execute such Blanket Issuer Letter of Representations.

SECTION 3.12. SUCCESSOR SECURITIES DEPOSITORY: TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the District in its sole discretion, determines that the beneficial owners of the Bonds be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13. PAYMENTS TO CEDE & CO. Notwithstanding any other provisions of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations.

(END OF ARTICLE THREE)

## ARTICLE FOUR

### REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01. REDEMPTION OF BONDS. The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2020, prior to their scheduled maturities, in whole or, from time to time, in part, on August 1, 2019, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the date fixed for redemption. The District shall, at least forty (40) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar (or DTC while the Bonds are in Book-Entry only form) from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, in the event a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof and only by the delivery of one or more exchange bonds in aggregate maturity amount equal to the unredeemed portion of the bond so redeemed in part. The Registrar shall promptly notify the District and the Paying Agent, in writing, of the Bonds selected for redemption.

Portions of the Bonds are subject to mandatory redemption on the dates and at the redemption prices set forth in the form of the Bonds set forth in Section 5.01 of this Resolution.

For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions herewith, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.02. NOTICE OF REDEMPTION. Notice of each exercise of the reserved right of redemption shall be given by the District, or at the District's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage pre-paid to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is thirty (30) days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amounts of the Bonds to be redeemed and, if less than all of the then outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.02 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. By the Redemption Date, due provisions shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds have been called for redemption, in whole or in part, as provided

above, and due provision has been made to redeem same, such Bonds, or portion thereof, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(END OF ARTICLE FOUR)

ARTICLE FIVE

FORM OF BONDS AND CERTIFICATES

SECTION 5.01. FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and consistent with the terms of this Resolution:

REGISTERED NUMBER _____	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS  
UNLIMITED TAX BOND, SERIES 2011

Interest Rate: _____	Maturity Date: _____	Initial Date: August 1, 2011	Date of Delivery: _____	CUSIP No.: _____
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REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, a conservation and reclamation district, a body politic and corporate and a governmental agency created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (herein the "District"), promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above, the principal amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable February 1, 2012, and semi-annually thereafter on August 1 and February 1 (individually, an "Interest Payment Date") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the District duly adopted on June 29, 2011 (the "Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Principal of this Bond and any interest due at maturity are payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of this Bond at the principal corporate trust offices of the agency selected by the District for such purpose in the City of Houston, Texas (the "Paying Agent"). Otherwise, interest on this Bond is payable to the registered owner hereof as shown on the registry books maintained on behalf of the District by a banking corporation or association in the City of Houston, Texas, selected by the

District for such purpose (the "Registrar"), by wire transfer to the registered owner hereof, or by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof, at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be Wells Fargo Bank, N.A., Houston, Texas.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS aggregating TWO MILLION THREE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,350,000), issued for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system for the District, including, but not limited to, all additions thereto and all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor, by authority of an election held within and for the District on December 4, 1993, and pursuant to the Resolution, all under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registrable at the principal corporate trust offices of the Registrar by the registered owner hereof, in person, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage pre-paid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered Bonds of other authorized denominations in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the District and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith. Neither the District nor the Registrar shall be required to transfer or exchange any Bond of this issue on any date which is fifteen (15) calendar days or less prior to any Interest Payment Date.

THE DISTRICT RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after August 1, 2020, in whole or, from time to time, in part, prior to their scheduled maturities, on August 1, 2019 or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the Redemption Date. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed, in whole or in part, from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption; provided, however, in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof and only upon the delivery of one or more exchange Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

IN ADDITION TO BEING SUBJECT TO OPTIONAL REDEMPTION, THE BONDS ISSUED AS TERM BONDS maturing August 1, in years 2021, 2023, 2025, 2027, 2029 and 2031 (the “Term Bonds”) are subject to mandatory redemption prior to maturing in the following amounts (subject to reduction as hereinafter provided), on the following dates (“Mandatory Redemption Dates”), at a price equal to the principal amount redeemed plus accrued interest to each Mandatory Redemption Date, subject to the conditions set forth below:

<b><u>TERM BONDS</u></b>			
<u>Maturity</u>	<u>Mandatory Redemption Date(s)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
\$215,000 maturing August 1, 2021	August 1, 2020 August 1, 2021	\$105,000 \$110,000	3.000% 3.00%
\$235,000 maturing August 1, 2023	August 1, 2022 August 1, 2023	\$115,000 \$120,000	3.300% 3.300%
\$245,000 maturing August 1, 2025	August 1, 2024 August 1, 2025	\$120,000 \$125,000	3.600% 3.600%
\$275,000 maturing August 1, 2027	August 1, 2026 August 1, 2027	\$135,000 \$140,000	3.875% 3.875%
\$295,000 maturing August 1, 2029	August 1, 2028 August 1, 2029	\$145,000 \$150,000	4.125% 4.125%
\$325,000 maturing August 1, 2031	August 1, 2030 August 1, 2031	\$160,000 \$165,000	4.300% 4.300%

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

NOTICE OF THE EXERCISE OF THE RESERVED RIGHT OF REDEMPTION shall be given by the Registrar at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage pre-paid to the Holder of each Bond to be redeemed, in whole or in part, at the address shown on the Register on the date which is thirty (30) days prior to

the Redemption Date. By the Redemption Date, due provision shall have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the Redemption Date. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the Holders to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or portions thereof so called for redemption, shall be terminated.

NEITHER THE DISTRICT NOR THE REGISTRAR shall be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the District or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OR TRANSFER, the District, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the District, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable from the proceeds of an ad valorem tax levied without legal limitation as to rate or amount upon all taxable property within the District. Reference is hereby made to the Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the District, the Paying Agent and the Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Resolution.

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank, N.A., Houston, Texas, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said

series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part by the levy of a direct annual ad valorem tax upon all taxable property within the District sufficient for said purposes, and that the issuance of the Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL EITHER A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas, or of the Registrar, has been manually executed hereon by such Comptroller (or his duly authorized deputy), or by the authorized representative of the Registrar, as provided by the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS has caused this Bond to be executed by the manual or facsimile signatures of the President or Vice President and Secretary or Assistant Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

/s/ Len Forsyth \_\_\_\_\_  
President, Board of Directors

/s/ Brian C. Connolly \_\_\_\_\_  
Secretary, Board of Directors  
(SEAL)

SECTION 5.02. CERTIFICATE OF REGISTRAR. The following form of Certificate of Registrar shall be printed on the face of each of the Bonds authenticated and delivered subsequent to the Initial Bonds:

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds issued under the provisions of the within-mentioned Resolution, and it is hereby further certified that this Bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the issuer named in such Resolution, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas under Bond Register No. \_\_\_\_\_.

WELLS FARGO BANK, N.A.  
Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signature

SECTION 5.03. REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER §  
OF PUBLIC ACCOUNTS §  
THE STATE OF TEXAS § REGISTER NO. \_\_\_\_\_

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of Mason Creek Utility District of Harris County, Texas, and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas, \_\_\_\_\_  
\_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

SECTION 5.04. FORM OF ASSIGNMENT. The following form of Assignment shall be printed on the back of each of the Bonds:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed  
By:  
\_\_\_\_\_

NOTICE: The signature on assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

The signature(s) must be guaranteed by an eligible guarantor institution (banks, stock-brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. Rule 17ad-15.

By: \_\_\_\_\_  
(Authorized Representative)

SECTION 5.05. CUSIP REGISTRATION. The officers and representatives of the District may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York.

SECTION 5.06. LEGAL OPINION. The approving opinion of the District's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors which may be executed in facsimile.

(END OF ARTICLE FIVE)

## ARTICLE SIX

### SECURITY FOR THE BONDS

SECTION 6.01. SECURITY FOR BONDS. The Bonds are secured by and payable from the levy of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District.

SECTION 6.02. LEVY OF TAX. To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes and making payments in respect of the Bonds, there is hereby levied, and shall be assessed and collected in due time, a continuing, direct, annual ad valorem tax without limit as to rate or amount, on all taxable property in the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Debt Service Fund, and the aforementioned tax and such payments into such Fund shall continue until the Bonds and the interest thereof have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax, each year at a rate from year to year as will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal and accrued interest on the Bonds when due, with full allowance being made for delinquencies and costs of collection, shall be levied, assessed and collected, and applied to the payment of principal and interest on the Bonds, as follows:

- (a) On or before October 1 in each year or as soon after that time as practicable, the Board shall consider the taxable property in the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the District.
- (b) In determining the actual rate to be levied in each year, the Board shall consider among other things:
  - (1) the amount which should be levied for the payment of the principal of or the interest, payment expenses and redemption price of each series of bonds or notes of the District payable in whole or in part from taxes, including, but not limited to, the Bonds, the Outstanding Bonds and any Additional Bonds; and
  - (2) the percentage of anticipated tax collections and the costs of assessing and collecting the taxes.
- (c) In determining the amount of taxes which should be levied each year, the Board may consider whether proceeds from the sale of bonds of the District have been capitalized or placed in escrow to pay interest during construction and whether the Board of Directors reasonably expects to have revenue or receipts available from other sources which are legally available to pay principal of or interest, payment expenses or redemption price on the District's bonds or notes payable in whole or in part from taxes.

In addition to the tax levied pursuant to this Section 6.02, the District may also levy from time to time taxes for maintenance and operation purposes, for contract obligations payable from taxes, and for any other purpose or purposes authorized by law.

SECTION 6.03. COLLECTION OF TAXES. So long as any of the Bonds remain outstanding, the District covenants that it will take such actions and use such measures as may be deemed appropriate under the circumstances to preserve and protect the existence and priority of its rights to and liens for the collection of delinquent taxes, including, but not limited to, where deemed appropriate, suits for collection of taxes and/or foreclosure of tax liens.

SECTION 6.04 MUNICIPAL ANNEXATION. The laws of the state of Texas require a city, town or village, including a Home Rule City, that annexes a municipal utility district to take over the properties and assets of the district and to assume all debts, liabilities and obligations of the district. When a district is so annexed and dissolved and the obligations of the district payable in whole or in part from ad valorem taxes become obligations of the annexing city, the governing body of the annexing city is thereafter required to levy and cause to be collected taxes on all taxable property within the city sufficient to pay the principal of and interest on the obligations of the district so assumed by the annexing city.

SECTION 6.05. CONSOLIDATION OF DISTRICT. The laws of the State of Texas permit the District to be consolidated with one or more other conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

- (a) Consolidate the System with a similar system of one or more other districts with which the District is consolidating and to operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").
- (b) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "revenue bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien revenue bonds of the Consolidating Districts).
- (c) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on revenue bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien revenue bonds of the Consolidating Districts.

(END OF ARTICLE SIX)

## ARTICLE SEVEN

### FLOW OF FUNDS AND INVESTMENTS

SECTION 7.01. CREATION OF FUNDS. There shall be created the following funds: (a) The Debt Service Fund; and (b) The Construction Fund.

Each fund shall be kept separate and apart from all other funds of the District. To the extent provided by law the Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the Holders of the Bonds, and the owners or Holders of the Outstanding Bonds and Additional Bonds, if any, and shall be applied only to pay for the interest and principal on the Bonds, the Outstanding Bonds and any Additional Bonds and the fees and expenses of the Paying Agent and Registrar in respect of same, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds and any Additional Bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes shall become due. The Construction Fund shall be a trust fund which shall be used solely as provided in this Resolution.

SECTION 7.02. SECURITY OF FUNDS. Any cash balance in any Fund, to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund maintained and administered by the Federal Deposit Insurance Corporation, or a successor insurance fund, shall be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts, having an aggregate market value, exclusive of accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

SECTION 7.03. DEBT SERVICE FUND. The District shall deposit or cause to be deposited into the Debt Service Fund the aggregate of the following at the times specified:

- (a) As soon as practicable after the Initial Bonds are sold and delivered, accrued interest, if any, on the Initial Bonds from their date to the date of their delivery; and
- (b) To the extent that funds are not available in the Debt Service Fund, there shall be paid into the Debt Service Fund from taxes levied and collected pursuant to Section 6.02 hereof, not later than the fifth (5th) day preceding each Maturity Date or Interest Payment Date on the Bonds, an amount not less than that which is sufficient to pay the principal which matures and becomes payable on such date, the interest which accrues and becomes payable on such date, and the Paying Agent's fees and expenses for handling and making such payments on such date, and not later than two (2) days prior to such payment dates shall cause such amounts to be wire transferred, in immediately available funds to the Paying Agent.

SECTION 7.04. INVESTMENTS; EARNINGS. Moneys deposited in any fund may be invested or reinvested from time to time, but only in Authorized Investments. Except to the extent otherwise required to maintain compliance with the covenants set forth in Section 8.05 hereof, all

investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors, the profits realized from and the interest accruing on investments made from any fund may be transferred to the Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event such fund does not have sufficient uninvested moneys on hand to meet the obligations payable out of such fund. The District shall not be responsible to the Holders for any loss arising out of the sale of any investments.

(END OF ARTICLE SEVEN)

## ARTICLE EIGHT

### APPLICATION OF BOND PROCEEDS

SECTION 8.01. BOND PROCEEDS. Proceeds from the sale of the Bonds will be disbursed in accordance with this Article.

SECTION 8.02. ACCRUED INTEREST. Moneys received from the Initial Purchaser of the Bonds representing accrued interest on the Initial Bonds, if any, from their date to the date of their actual delivery shall be deposited into the Debt Service Fund.

SECTION 8.03. INTEREST DURING CONSTRUCTION. It is affirmatively found that the period of construction of the improvements to be constructed with the proceeds from the sale of the Bonds will be at least twelve (12) months from the date or time the Initial Bonds are sold and delivered.

SECTION 8.04. CONSTRUCTION FUND. The proceeds from the sale of the Bonds, as received, after making the deposits hereinbefore provided, shall be deposited into the Construction Fund and shall be used solely for the payment of the expenses incident to the issuance of the Bonds, including financial advisory, legal and engineering fees and expenses, and the costs of purchasing, constructing, acquiring, improving or extending the waterworks, sanitary sewer and drainage portions of the System. Any moneys remaining in the Construction Fund after completion of the improvements included in the Commission approval, including earned interest, shall be deposited into the Debt Service Fund or used for additional system improvements as authorized by the Commission.

#### SECTION 8.05. FEDERAL INCOME TAX EXCLUSION.

(a) General. The District intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the District covenants and agrees to comply with each requirements of this Section 8.05; provided, however, that the District shall not be required to comply with any particular requirement of this Section 8.05 if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the District has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 8.05 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 8.05.

(b) No Private Payment and No Private Loan Financing. The District covenants and agrees

that all payments of the debt service on the Bonds will be paid from and secured by a generally applicable tax. For this purpose, a generally applicable tax is a tax (A) that is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental purposes and (B) that has a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction using a generally applicable manner of determination and collection. No portion of the payment of the debt service on the Bonds will be directly or indirectly derived from payments (whether or not to the District or any related party) in respect of property, or borrowed money, used or to be used for a private business use. Furthermore, no portion of the payment of the debt service on the Bonds will be directly or indirectly secured by any interest in property used or to be used for a private business use or payments in respect of property used or to be used for a private business use. No portion of the proceeds of the Bonds will be directly or indirectly used to make or finance a loan to any person other than a state or local governmental unit. Moreover, the District will take all actions as may be required so that the Bonds will not be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder and shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that there will be no private payments or security with respect to the Bonds that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) No Hedge Bonds. The District covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No Arbitrage. The District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the District will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

(f) Arbitrage Rebate. If the District does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the

investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other bond issues of the District or moneys which do not represent gross proceeds of any bonds of the District, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The District covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) Payment of Rebate Amount. Except to the extent otherwise provided in Section 148(f) of the Code and the regulations and rulings hereunder,

(1) The District shall account for all Gross Proceeds (including all receipts and expenditures thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and shall maintain all records of such accounting with the transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of the Bond with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date the District shall either (i) cause to be calculated by a nationally recognized accounting or financial advisory firm or (ii) calculate and cause its calculations to be verified by a nationally recognized accounting or financial advisory firm, in either case in accordance with rules set forth in section 148(f) of the Code and section 1.148-3 of the Regulations and rulings thereunder, the Rebate Amount with respect to the Bonds. The District shall maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of money represented thereby, and in order to induce such purchase by measures designed to preserve the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall remit to the United States the amount described in

paragraph (2) above and the amount described in paragraph (4) below, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment of the United States or any interest and any penalty required by section 1.148-3(h) of the Regulations.

(i) Continuing Obligation. Notwithstanding any other provision of this Order the District's obligations under the covenants and provisions of this Section 8.05 shall survive the defeasance and discharge of the Bonds.

SECTION 8.06. QUALIFIED TAX-EXEMPT OBLIGATIONS. The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In connection therewith, the District represents that:

- (a) the aggregate amount of tax-exempt obligations issued by the District during calendar year 2011, including the Bonds, which have been designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code, will not exceed \$10,000,000; and
- (b) the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2011, including the Bonds, will not exceed \$10,000,000.

For purposes of this Section, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section, the District includes all governmental units which are aggregated with the District under Section 265(b)(3) of the Code and covenants that it shall take all actions necessary to satisfy with respect to the Bonds and requirements of Section 265(b)(3) of the Code.

(END OF ARTICLE EIGHT)

ARTICLE NINE

ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01. ADDITIONAL BONDS. The District expressly reserves the right to issue, in one or more installments and for any other lawful purpose: (a) the remaining unissued bonds which were authorized at the elections described in paragraphs (b) and (c) of Section 1.05 of this Resolution; and (b) such other bonds as may hereafter be authorized at subsequent elections.

SECTION 9.02. SPECIAL PROJECT BONDS. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds.

SECTION 9.03. REFUNDING BONDS. The District further reserves the right to issue refunding bonds in any manner permitted by law to refund any Bonds and Additional Bonds, if any, at or prior to their respective dates of maturity or redemption.

(END OF ARTICLE NINE)

ARTICLE TEN

DEFAULT PROVISIONS

SECTION 10.01. REMEDIES IN EVENT OF DEFAULT. In addition to all of the rights and remedies provided by the laws of the State of Texas, the District further covenants and agrees that in the event of default in payment of principal or interest on any of the Bonds, when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power nor be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02. RESOLUTION IS CONTRACT. In consideration of the purchase and acceptance by the Holders of the Bonds authorized to be issued hereunder, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the District and the Holders, and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal benefit, protection and security of each of the Holders. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(END OF ARTICLE TEN)

## ARTICLE ELEVEN

### DISCHARGE BY DEPOSIT

SECTION 11.01. AUTHORITY AND PROCEDURE. The District may discharge its obligation to the Holders to pay principal and interest on the Bonds by depositing with the Paying Agent moneys which (together with interest earned on or profits to be realized from investments as described in Section 11.02 hereof) will be sufficient to pay principal, interest or redemption price to the Maturity Date or Redemption Date of the Bonds. Upon such deposit, the Bonds and any interest accrued thereon shall no longer be regarded as outstanding and unpaid; provided, however, that if the Maturity Date on such Bonds shall not then have arrived, provision shall have been made by the District for the payment to the Holders at the date of maturity or at a Redemption Date in accordance with the provisions of this Resolution of the full amount to which the Holders would be entitled by way of principal, interest and redemption price, and written notice thereof shall have been given to the Paying Agent, and provision shall have been made by the District for the mailing of written notice to the Holders that such moneys are so available for such payment.

SECTION 11.02. INVESTMENTS. Subject to the provisions of Section 8.05 and the requirements of applicable law, moneys held for payment in accordance with the provisions of Section 11.01 hereof shall be invested in direct obligations of the United States of America and in compliance with the provisions of the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code. Such investments shall mature in sufficient time, in the judgment of the District, to make available moneys needed for the purposes intended. Net interest or investment profits earned and paid on such investments may be paid to the District if sufficient money will otherwise remain on deposit with the Paying Agent to pay principal, interest or redemption price on the Bonds; otherwise, such interest on investment profits shall be used for payment of principal, interest or redemption price on the Bonds, and to the extent of such moneys and as permitted by law, may be considered as adequate provision for payment thereof.

(END OF ARTICLE ELEVEN)

## ARTICLE TWELVE

### MISCELLANEOUS PROVISIONS

#### SECTION 12.01. PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.

The District covenants to pay promptly the principal of, premium, if any, and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution, the Initial Bonds or in any Bond executed, authenticated and delivered hereunder.

#### SECTION 12.02. DISTRICT'S SUCCESSORS AND ASSIGNS.

Whenever in this Resolution the District is named and referred to, such naming or reference shall be deemed to include the District's successors and assigns, and all covenants and agreements in this Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of the District's successors and assigns whether or not so expressed.

#### SECTION 12.03. NO RECOURSE AGAINST DISTRICT OFFICERS.

No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any officer of the District or any person executing the Bonds.

#### SECTION 12.04. PAYING AGENT MAY OWN BONDS.

The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

#### SECTION 12.05. REGISTRARS AND SUCCESSOR REGISTRARS.

The initial Registrar in respect of the Bonds shall be Wells Fargo Bank, N.A., Houston, Texas. The District covenants that at all times while any Bonds are outstanding it will provide a commercial bank or trust company, organized under the laws of the United States or any state and authorized to serve as and perform the duties and services of Registrar for the Bonds. The District reserves the right to change the Registrar for the Bonds on not less than 30 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class, postage pre-paid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

#### SECTION 12.06. PAYING AGENT.

The initial Paying Agent in respect of the Bonds shall be Wells Fargo Bank, N.A., Houston, Texas. The District will maintain in the City of Houston, Texas, at least one (1) duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any State thereof, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. The District reserves the right to change the Paying Agent for the Bonds on not less than 30 days written notice to the Paying Agent, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon

the appointment of any successor Paying Agent, the previous Paying Agent shall deliver the Register or copies thereof to the new Paying Agent, and the new Paying Agent shall notify each Owner, by United States mail, first class, postage pre-paid, of such change and of the address of the new Paying Agent. Each Paying Agent hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 12.07. REGISTRAR/PAYING AGENT. The form of agreement setting forth the duties of the Registrar and Paying Agent is hereby approved, and the appropriate officials of the District are hereby authorized to execute such agreement for and on behalf of the District.

SECTION 12.08. LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date, or Redemption Date for any Bonds shall be a legal holiday or a day on which banking institutions where the Paying Agent is located are authorized by law to close, then payment of principal, interest or redemption price need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date, or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.09. BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the District, the Paying Agent, the Registrar and the Holders, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the District, the Paying Agent, the Registrar, and the Holders.

SECTION 12.10. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.11. ACCOUNTING. The District will keep proper records and accounts regarding the levy and collection of taxes, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the District shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be made available to any Holder upon request.

SECTION 12.12. NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage pre-paid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.13. FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution.

SECTION 12.14. OFFICIAL STATEMENT. The District hereby approves the form and content and distribution of the Preliminary Official Statement and the supplement thereto prepared in the initial offering and sale of the Bonds and hereby authorizes the preparation of a final Official Statement reflecting the terms of this Resolution and other relevant information. The use of such final Official Statement by the Initial Purchaser is hereby approved and authorized and the proper officials of the District are authorized to sign such Official Statement.

SECTION 12. 15. CONTINUING DISCLOSURE.

(a) Annual Reports. The District shall provide to the MSRB through EMMA or such other SEC method as the SEC may approve, within six (6) months after the end of each fiscal year ending in or after 2011, financial information and operating data with respect to the District of the general type included in the final Official Statement for the Bonds. Any financial statements so to be provided shall be (1) in accordance with generally accepted accounting principles, and (2) audited, if the District commissions an audit of such statements and the audit is complete within the period during which they must be provided. If audited financial statements are not so provided, then the District shall provide unaudited financial statements within the required period and shall provide audited financial statements for the applicable fiscal year, when and if audited financial statements become available. To the extent required by law and not contained within audited financial statements submitted to EMMA, the District will also provide the financial information and operating data of the type included in the following listed sections of the final Official Statement: THE DISTRICT, DISTRICT DEBT - Debt Statement and Estimated Overlapping Debt, TAX DATA - Tax Collection History - Tax Rate Distribution - Analysis of Tax Base - Principal Taxpayers and - Estimated Overlapping Taxes, THE SYSTEM - Historical Operations of the General Fund, and APPENDIX A - Financial Statements of the District.

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

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that heretofore has been provided to EMMA or its predecessors or filed with the SEC.

(b) Material Events Notices. The District shall notify EMMA, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
5. Substitution of credit or liquidity providers, if any, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications of the rights of the Holders of the Bonds;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing payment of the Bonds; and
11. Rating changes.

The District shall notify EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Section 12.15(a) of this Resolution by the time required by such Section.

(c) Limitation, Disclaimers, and Amendments.

The District shall be obligated to observe and perform the covenants specified in this section for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District, in any event, will give the notice required herein of any Bond calls and defeasance that cause the District to no longer be an “obligated person”.

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

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

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

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering in compliance with the SEC Rule 15c2-12 (the “Rule”), taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders of the Bonds. The District may amend or repeal this section 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 unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District amends the agreement, it will include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

(END OF ARTICLE TWELVE)

## ARTICLE THIRTEEN

### SALE AND DELIVERY OF BONDS

SECTION 13.01. SALE OF BONDS. Sale of the Bonds is hereby awarded to Sterne, Agee & Leach, Inc. (the "Initial Purchaser" or "Sterne, Agee & Leach"), for the sum of \$2,286,915.10, representing 97.3155% of the par value, plus accrued interest on the Bonds to the date of delivery, subject to the unqualified approving opinion as to the legality of the Initial Bonds of the Attorney General of the State of Texas and of Michael A. Cole, P.C., Bond Counsel for the District. It is hereby found and declared that the bid of the Initial Purchaser is the best obtained for the Bonds (produced the lowest net effective interest rate on the sale of the Bonds) pursuant to and after taking public bids therefor, as required by law, and that the net effective interest rate resulting from said bid is 4.111860%, which is less than the maximum rate of 6.51% (two percent above the highest average interest rate reported by the Daily Bond Buyer in its "20 Bond Index" during the one month period next preceding the date notice of sale of the Bonds is given), allowed under the requirements of the City of Houston, Texas, and the laws of the State of Texas.

SECTION 13.02. APPROVAL, REGISTRATION AND DELIVERY. The President and Secretary of the Board of Directors of the District and Bond Counsel for the District are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on the Initial Bonds. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price therefor.

(END OF ARTICLE THIRTEEN)

ARTICLE FOURTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01. OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, carefully considered, and adopted at a special meeting of the Board beginning at 7:30 o'clock, p.m., on June 29, 2011, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the District and was timely furnished to the County Clerk of Harris County, Texas, for posting on a bulletin board located at a place convenient to the public in the Harris County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Law, Section 551 Texas Government Code, and Chapter 49, Texas Water Code as amended, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02. EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

(END OF ARTICLE FOURTEEN)

PASSED AND APPROVED THIS 29th day of June, 2011.

/s/ Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

ATTEST:

/s/ Brian C. Connolly  
Secretary, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

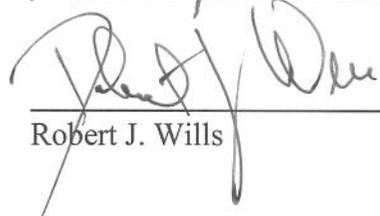
(SEAL)

**CERTIFICATE OF ACKNOWLEDGMENT  
OF NOTICE OF AND CONSENT TO SPECIAL MEETING:  
RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,350,000 UNLIMITED TAX  
BONDS, AND OFFICIAL STATEMENT**

STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS      §

I, the undersigned, a duly qualified and acting member of the Board of Directors of Mason Creek Utility District of Harris County, Texas, do hereby certify that I was duly, sufficiently and personally notified, in advance, of the time, place and purpose of a special meeting of the Board of Directors of said District held on June 29, 2011, at which meeting the Board of Directors of the District authorized approval of a Resolution Authorizing the Issuance of \$2,350,000 Unlimited Tax Bonds, and Official Statement, and I do hereby confirm the approval of such Resolution by the Board of Directors of said District at said special meeting.

WITNESS MY HAND this 13<sup>th</sup> day of July, 2011.

  
\_\_\_\_\_  
Robert J. Wills

This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 25, 2011

**DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE BONDS ARE NOT PRIVATE ACTIVITY BONDS. SEE "LEGAL MATTERS" AND "TAX EXEMPTION" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.**

*The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX EXEMPTION—Qualified Tax-Exempt Obligations."*

**NEW ISSUE  
BOOK-ENTRY ONLY**

**Rating (S&P): Applied For**

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**

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

**\$2,350,000  
UNLIMITED TAX BONDS, SERIES 2011**

*Dated: August 1, 2011*

*Due: August 1, as shown on inside cover*

The \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds") are obligations solely of Mason Creek Utility District of Harris County, Texas (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from August 1, 2011 and will be payable February 1 and August 1 of each year, commencing February 1, 2012, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in the denominations of \$5,000 or integral multiples thereof and will initially be registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry Only System."

Principal of and redemption price for the Bonds are payable by Wells Fargo Bank, N.A., Houston, Texas or any successor paying agent/registrant (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS--Description."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. See "THE BONDS--Source of and Security for Payment."

The Bonds will be delivered when, as and if issued by the District and accepted by the Underwriter (hereinafter defined), subject among other things to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Michael A. Cole, P. C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Fulbright & Jaworski L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about August 10, 2011 in Houston, Texas.

**Receiving Bids Until: 3:00 p.m., Houston Time, Wednesday, June 29, 2011**

**MATURITY SCHEDULE**

**Bonds Dated: August 1, 2011**

**Due: August 1, as shown below**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield(a)</u>
2012	\$85,000	%	%	2022(b)	\$115,000	%	%
2013	90,000			2023(b)	120,000		
2014	90,000			2024(b)	120,000		
2015	95,000			2025(b)	125,000		
2016	95,000			2026(b)	135,000		
2017	100,000			2027(b)	140,000		
2018	100,000			2028(b)	145,000		
2019	105,000			2029(b)	150,000		
2020(b)	105,000			2030(b)	160,000		
2021(b)	110,000			2031(b)	165,000		

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter (as hereinafter defined) for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2011 is to be added to the price.

(b) Bonds maturing on or after August 1, 2020, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on August 1, 2019, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS--Redemption of Bonds."

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## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document may be treated as an Official Statement of the District with respect to the Bonds described herein that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12(b)(1).

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Michael A. Cole, P.C., 5120 Bayard Lane, Houston, Texas 77006 upon payment of duplication costs.

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 condition of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT--Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

## SALE AND DISTRIBUTION OF THE BONDS

### Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to 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 District has no understanding with the Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

**Securities Laws**

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

**Underwriter**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by \_\_\_\_\_ (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of \_\_\_\_% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of \_\_\_\_% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the "IBA" method).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

**Municipal Bond Rating**

In connection with the sale of the Bonds, the District made application to Standard & Poor's Ratings Group, a Standard & Poor's Financial Services LLC business ("S&P"), which has assigned a rating of "\_\_" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

### - The District -

Description	Mason Creek Utility District of Harris County, Texas (the "District") was created by House Bill No. 1702, Acts of the 62 <sup>nd</sup> Legislature of Texas, Regular Session, 1971 (compiled as Vernon's Texas Civil Statutes Article 8280-551 and codified as Chapter 8286, Texas Special District Local Laws Code [eff. 4-1-2011], and herein referred to as the "Act") pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County and within the exclusive extraterritorial jurisdiction of the City of Houston (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax). It is located in Western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country MUD, and on the west by Westgreen Boulevard. See "THE DISTRICT--Description and Location."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT--Authority, Purpose and Functions."

### - The Bonds -

Description	The District's \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds") are dated August 1, 2011. The Bonds bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable February 1, 2012, and each August 1 and February 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on August 1 in the years 2012 through 2031, both inclusive, in the principal amounts set forth on the inside cover page hereof. The Bonds maturing on and after August 1, 2020 are subject to optional redemption at the option of the District on any date on or after August 1, 2019, at a price of par plus accrued interest to the date of redemption. See "THE BONDS--Description" and "--Redemption of Bonds."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the City of Houston, Texas; the State of Texas; or any political subdivision other than the District. See "THE BONDS--Source of and Security for Payment."
Use of Proceeds	Proceeds of the sale of the Bonds will be used to provide for (i) replacement of a water well; (ii) re-coating of ground storage tanks; (iii) an emergency sanitary sewer line creek crossing; (iv) various electrical, inspection and engineering costs in connections with the above projects; and (v) legal fees, financial advisor's fees and certain other costs related to the issuance of the Bonds. See "THE BONDS --Use of Proceeds."
Payment Record	The District has never defaulted on the payment of any bond obligation. See "DISTRICT DEBT."
Qualified Tax-Exempt Obligations	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2011

is not reasonably expected to exceed \$10,000,000. See "TAX EXEMPTION--Qualified Tax Exempt Obligations."

Book-Entry Only  
System

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry Only System").

Municipal  
Bond Rating

The District made application to Standard & Poor's Ratings Group, a Standard & Poor's Financial Services LLC business ("S&P"), which has assigned a rating of "\_\_\_" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."

Legal Opinions

Michael A. Cole, P. C., Houston, Texas. See "LEGAL MATTERS."

Financial Advisor

Blitch Associates, Inc., Houston, Texas.

**RISK FACTORS**

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

**- Financial Highlights -  
(Unaudited)**

2010 Taxable Assessed Valuation (100% of Market Value)		\$400,029,894	(a)
Direct Debt (the Bonds)		\$2,350,000	
Estimated Overlapping Debt		<u>27,261,830</u>	(b)
Direct and Estimated Overlapping Debt		<u>\$29,611,830</u>	
Direct Debt Ratios:			
Direct Debt		0.59%	
Direct & Estimated Overlapping Debt		7.40%	
2010 Tax Rate per \$100 of Assessed Value			
Debt Service		\$0.000	
Maintenance		<u>0.346</u>	
Total		<u>\$0.346</u>	
		<i><u>Current</u></i>	<i><u>Total</u></i>
2009 Tax Collection Percentage	98.61%		99.28%
Five-Year Average (2005/2009) Collection Percentage	98.66%		99.89%
Estimated Annual Debt Service Requirements			
Average (2012/2031)		\$185,900	
Maximum (2013)		\$203,250	
Tax Rate Required to pay such Requirements at 99%			
Average (2012/2031)		\$0.047	
Maximum (2013)		\$0.052	
Fund Balances as of May 18, 2011 (Cash & Investments)			
General Operating Fund		\$2,512,870	
Debt Service Fund		\$0	(c)

(a) Certified by the Harris County Appraisal District ("Appraisal District"). See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) Exclusive of one year's interest on the Bonds to be deposited from Bond proceeds.

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS  
\$2,350,000  
Unlimited Tax Bonds, Series 2011**

This Official Statement of Mason Creek Utility District of Harris County, Texas (the "District") is provided to furnish certain information with respect to the sale by the District of its \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Resolution and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Michael A. Cole, P. C., located at 5120 Bayard Lane, Houston, Texas 77006-6512.

**THE BONDS**

**Description**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on August 1 of the years and in principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on February 1, 2012, and semiannually thereafter on each August 1 and February 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of DTC, by the paying agent/registrar, initially Wells Fargo Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15<sup>th</sup> day of the month next preceding the interest payment date (the "Record Date").

The Bonds of each maturity will be issued in fully-registered form only in the principal amount or maturity amount of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

**Use of Proceeds**

Proceeds of the sale of the Bonds will be used to provide for (i) replacement of a water well; (ii) re-coating of ground storage tanks; (iii) an emergency sanitary sewer line creek crossing; (iv) various electrical, inspection and engineering costs in connections with the above projects; and (v) legal fees, financial advisor’s fees and certain other costs related to the issuance of the Bonds.

The costs outlined below have been provided by Johnston, LLC, the District’s consulting engineer (the “Engineer”), and reflect those costs approved by the Texas Commission on Environmental Quality (the “TCEQ”). Amounts indicated below may not add due to rounding.

***Construction Costs***

Galleon Oaks Water Well No. 3 Replacement	\$1,034,355
Re-coating of Ground Storage Tanks	315,000
Inspection Service for Coating	40,000
Upgrade Electrical Controls for Booster Pumps	50,000
Emergency Sanitary Sewer Creek Crossing	300,000
Contingencies	122,218
Engineering	<u>173,146</u>
Subtotal	\$2,034,719
Less: Funds on Hand	<u>(34,719)</u>
Total Construction Costs	\$2,000,000

***Non Construction Costs***

Bond Counsel	\$62,000
Financial Advisor Fees	41,125
One Year’s Interest (5.00%)	117,500
Bond Discount (3.00%)	70,500
Engineering Report	30,000
TCEQ Fee (0.25%)	5,875
Attorney General Fee (0.10%)	2,350
Cost of Issuance	<u>20,650</u>
Total Non Construction Costs	<u>\$350,000</u>

<b><i>Totals</i></b>	<b><u>\$2,350,000</u></b>
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## **Registration and Transfer**

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Houston, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

## **Redemption of Bonds**

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2020, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Resolution.

## **Book-Entry Only System**

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases 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 or 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 interest 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 the 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 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 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 the notices be provided directly to them.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments

by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments and Maturity Amounts to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

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

#### **Authority for Issuance**

At elections held within the District on June 17, 1972, December 30, 1974, April 3, 1976 and December 4, 1993, the voters of the District authorized the issuance of an aggregate of \$21,999,000 in bonds for water, sanitary sewer and drainage facilities.

The Bonds constitute the seventh instalment of bonds authorized at such elections. Following issuance of the Bonds, an aggregate of \$129,000 in combination unlimited tax and revenue bonds and \$2,650,000 in unlimited tax bonds will remain authorized but unissued. See "Issuance of Additional Debt" below.

The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by the TCEQ.

#### **Transfer and Exchange**

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar and are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination, in each case upon surrender of the Bonds to be transferred or exchanged at the designated office of the Paying Agent/Registrar duly endorsed, or accompanied by executed instructions of the Registered Owner or his duly authorized representative. The District is not required to transfer or exchange any Bond during the 15-day period preceding any interest payment date. No service charge will be made for any transfer or exchange, but the District may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

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

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds at the corporate trust office of the Paying Agent/Registrar, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to keep them harmless. The District and the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

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

The Bonds (together with any additional tax bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District.

The Board covenants that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax, without legal limit as to rate or amount, against taxable property within the District at a rate from year to year sufficient, with full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such taxes. The Board further covenants that it will timely assess and diligently collect such a tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated as the "Debt Service Fund." This fund may be used solely to pay the principal of and interest on the District's obligations. There is no requirement for a debt service reserve.

**- Defeasance -**

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal and interest thereon in any manner permitted by law, including without limitation by depositing with the Paying Agent/Registrar, or with the Comptroller of Public Accounts of the State of Texas, either (i) cash in an amount equal to the principal amount of the Bonds plus interest thereon to the date of maturity, or (ii) pursuant to an escrow or trust agreement, cash and/or direct obligations of the United States of America or obligations the principal and interest of which are unconditionally guaranteed by the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of such Bonds plus interest thereon to the date of maturity. Upon such deposit, such Bonds shall no longer be regarded to be outstanding or unpaid.

**- Annexation -**

Under existing Texas law, if the District is annexed or incorporated into a municipality, the municipality is normally required to assume the District's assets and obligations (including the Bonds and the District's other outstanding bonds) and abolish the District within 90 days of the date of annexation. The District cannot make any representation about whether such an annexation will occur, nor can the District make any representation about the ability of an assuming municipality to make debt service payments on the Bonds or the District's other outstanding bonds. Municipalities in Texas are subject to various tax limitations imposed by constitution, statute and municipal charter, depending on the type of municipality. The District is currently within the extraterritorial jurisdiction of the City of Houston, which has the power to annex the District and other areas without consent of the annexed inhabitants, but in accordance with various provisions of law. However, see "TAX DATA- Strategic Partnership Agreement - Limited Purpose Annexation by City of Houston."

**- Consolidation -**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and its water and wastewater systems, with the water and wastewater systems of the district or districts with which it is consolidating, as well as its liabilities (which would include the Bonds). However, no representation is made concerning the likelihood of any consolidation.

**Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for

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

#### **Issuance of Additional Debt**

The District may issue additional bonds for purposes authorized by law. Following the issuance of the Bonds, \$2,650,000 unlimited tax bonds and \$129,000 combination unlimited tax and revenue bonds for waterworks, sanitary sewer and drainage facilities authorized by the District's voters will remain unissued. According to the District's Engineer, the remaining authorized but unissued bonds should be sufficient to provide for future system needs within the District.

Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in a regional surface water conversion effort. See "RISK FACTORS- Potential Conversion to Surface Water."

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

#### **Default and Remedies**

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Bond Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the covenants contained in the Bonds or in the Bond Resolution and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Resolution covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be

subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion.

**Pro-Forma Debt Service Requirements**

The following sets forth the debt service requirements on the Bonds, assuming 5.00% interest rate:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total D/S Requirements</u>
2012	\$85,000	\$117,500	\$202,500
2013	90,000	113,250	203,250
2014	90,000	108,750	198,750
2015	95,000	104,250	199,250
2016	95,000	99,500	194,500
2017	100,000	94,750	194,750
2018	100,000	89,750	189,750
2019	105,000	84,750	189,750
2020	105,000	79,500	184,500
2021	110,000	74,250	184,250
2022	115,000	68,750	183,750
2023	120,000	63,000	183,000
2024	120,000	57,000	177,000
2025	125,000	51,000	176,000
2026	135,000	44,750	179,750
2027	140,000	38,000	178,000
2028	145,000	31,000	176,000
2029	150,000	23,750	173,750
2030	160,000	16,250	176,250
2031	<u>165,000</u>	<u>8,250</u>	<u>173,250</u>
	<u>\$2,350,000</u>	<u>\$1,368,000</u>	<u>\$3,718,000</u>

Estimated Average Annual Requirements (2012/2031)	\$185,900
Estimated Maximum Annual Requirement (2013)	\$203,250

*Note: Totals may not add due to rounding.*

## THE DISTRICT

### Authority, Purpose, and Functions

The District is a municipal utility district, created by House Bill No. 1702, Acts of the 62<sup>nd</sup> Legislature of Texas, Regular Session, 1971 (compiled as Vernon's Texas Civil Statutes Article 8280-551 and codified as Chapter 8286, Texas Special District Local Laws Code [eff. 4-1-2011], and herein referred to as the "Act") pursuant to the provision of Section 59 of Article XVI of the Texas Constitution. The District, which contains approximately 893.838 acres, lies entirely within Harris County and within the exclusive extraterritorial jurisdiction of the City of Houston (although some commercial areas have been annexed by the City of Houston for limited purposes, including the imposition of sales and use tax). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ.

### Description and Location

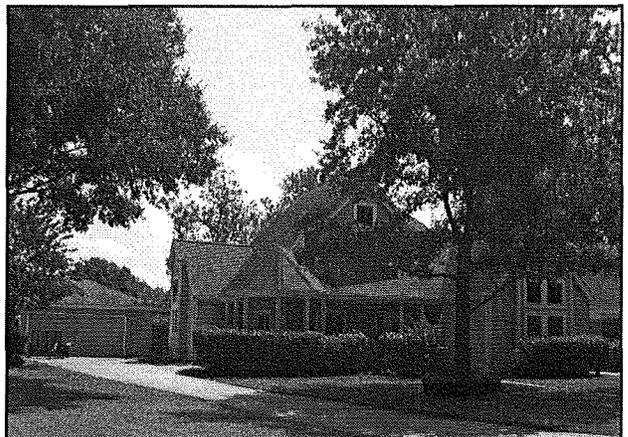
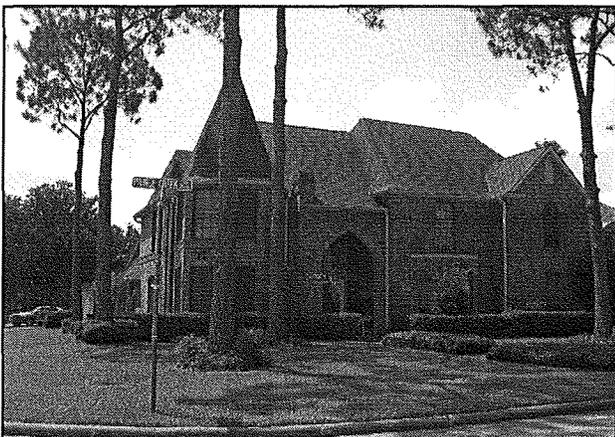
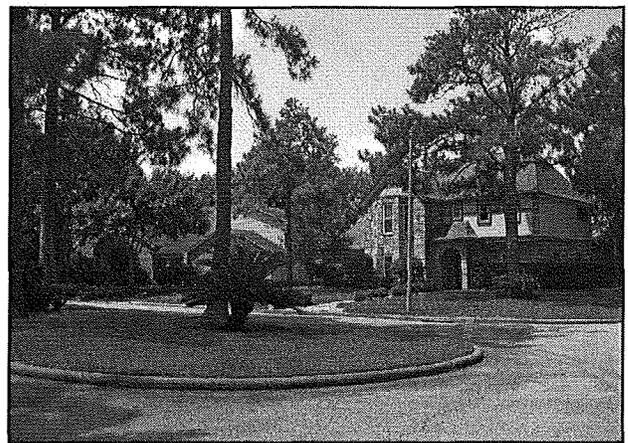
The District is located in Western Harris County approximately 22 miles west of the Houston Central Business District. The District is roughly bounded on the north by IH-10, on the east by Fry Road, on the south by Nottingham Country MUD, and on the west by Westgreen Boulevard.

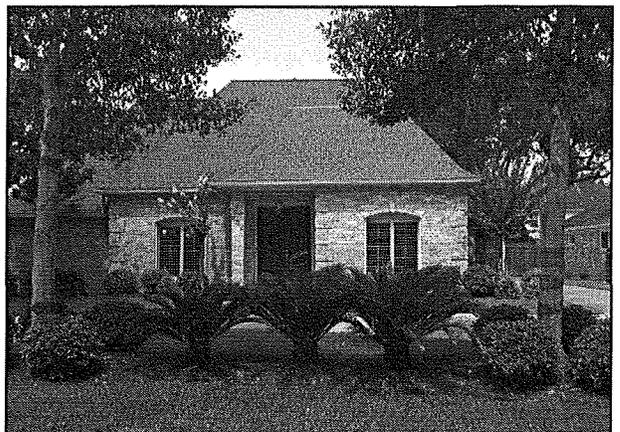
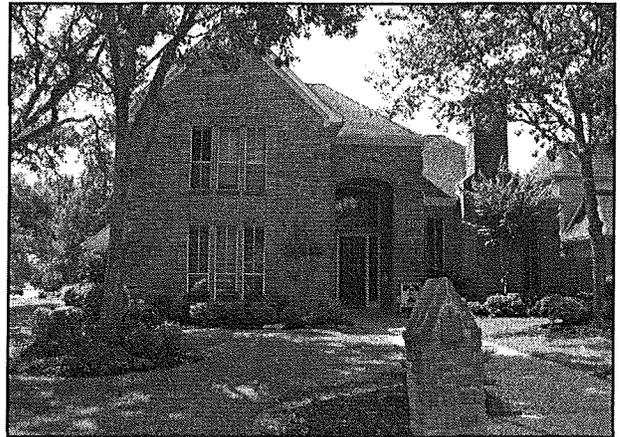
Development within the District consists of the residential subdivisions of Nottingham Country, Sections 1 through 9, and Mason Creek Park, Section 1, and includes significant commercial development. Except for a few small unimproved reserves remaining, the District is completely built out.

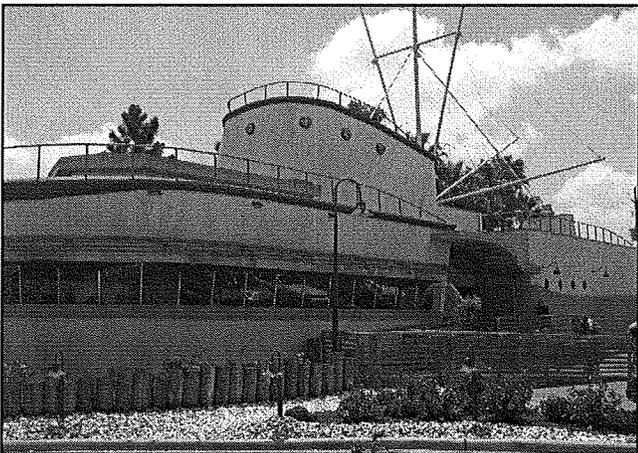
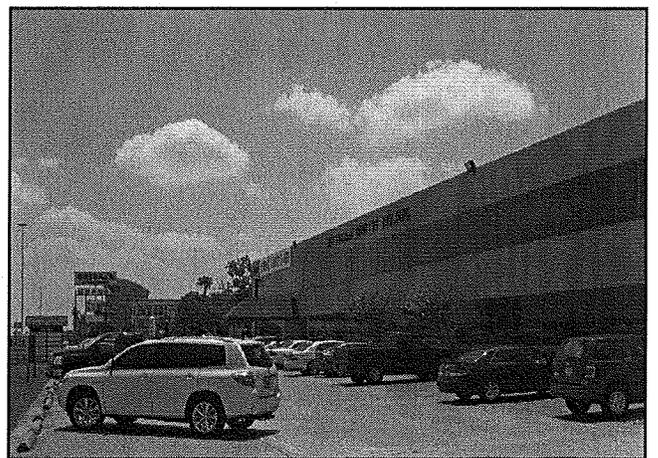
Following is a breakdown of the 2010 taxable valuation by development category:

Residential		
Single-family	\$311,789,283	
Multi-family	<u>12,675,000</u>	\$324,464,283
Commercial		
Real Property	\$60,119,132	
Personal Property	<u>4,004,955</u>	64,124,087
Utilities		
Gas	\$620,250	
Electric	1,571,690	
Telephone	4,935,362	
Pipelines	140,130	
Cable	<u>1,349,591</u>	8,617,023
Vacant		
Commercial	\$2,290,709	
Other	<u>533,792</u>	<u>2,824,501</u>
		<u>\$400,029,894</u>

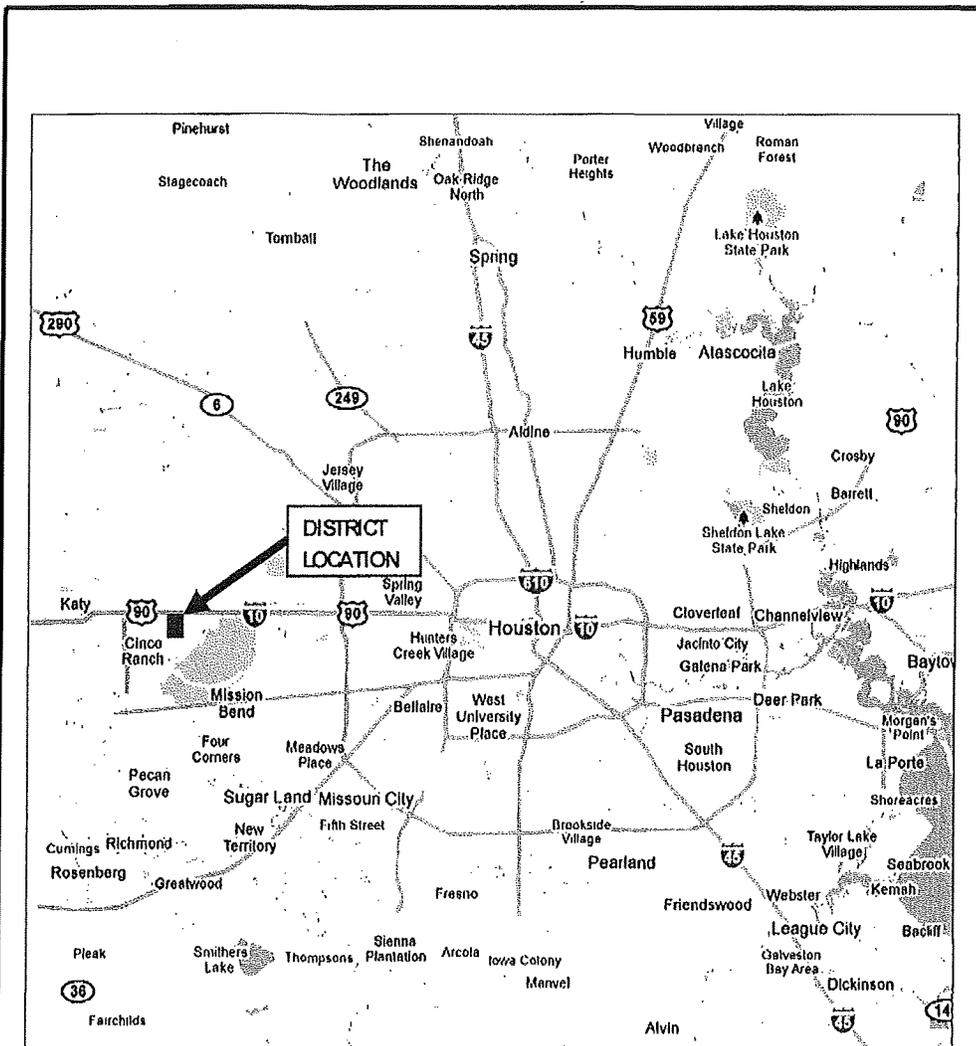
Photographs Taken in District (June 2011)





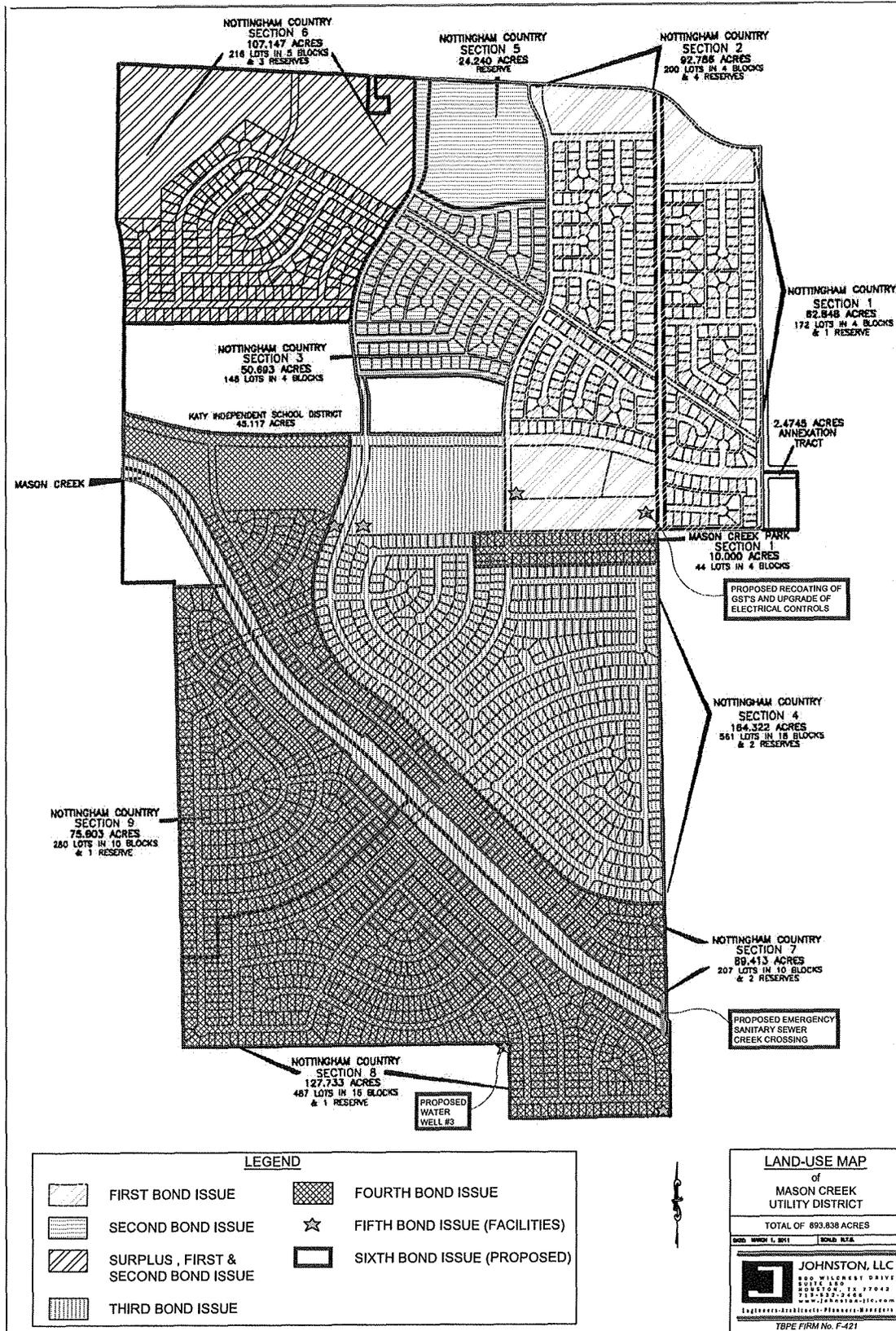


Location Map



 <p>Engineers Architects Planners Managers</p>	<p><u>Mason Creek Utility District</u></p> <p>Location Map</p>		
	<p>Date: 01-25-11</p>	<p>Proj. No.: 144-015</p>	

# Land Plan Map



### Management of the District

The District is governed by the Board of Directors, which has control over and management supervision of all affairs of the District. A directors' election is held within the District in May in even numbered years. Directors are elected to serve four-year, staggered terms. The current members and officers of the Board are listed below:

<u>Director</u>	<u>Office</u>	<u>Term Expires</u>
Len Forsyth	President	May 2014
James G. Hamblet, III	Vice-President	May 2012
Brian C. Connolly	Secretary/Treasurer	May 2012
John H. Cameron	Assistant Secretary/Treasurer	May 2012
Robert J. Wills	Director	May 2014

The District employs an office manager and bookkeeper, but has no other full-time employees. The District has contracted for utility system operating, legal, engineering, financial advisory, tax assessing and collecting services and annual auditing of its books as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Bob Leared Interests, Houston, Texas.

Auditor - The District's annual financial statements as of June 30, 2010 have been prepared by Marrou Hagen & Adkins, Certified Public Accountants, Arlington, Texas. Such firm has been engaged to prepare the District's annual financial statements for June 30, 2011. See "APPENDIX A" for a copy of the District's June 30, 2010 audited financial statements.

Utility System Operator - The District's operator is James M. Parrott Utility Operations, Inc.

Engineer - The consulting engineer for the District is Johnston, LLC (the "Engineer").

Financial Advisor - Blitch Associates, Inc. serves as Financial Advisor to the District.

Bond Counsel - Michael A Cole, P.C. serves as bond counsel in connection with the issuance of the Bonds.

General Counsel - James L. Dougherty, Jr. serves as general counsel to the District.

**DISTRICT DEBT**

**Debt Statement**

2010 Taxable Assessed Valuation (100% of Market Value)	\$400,029,894	(a)
Direct Debt (the Bonds)	\$2,350,000	
Estimated Overlapping Debt	<u>27,261,830</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$29,611,830</u>	
Direct Debt Ratios:		
Direct Debt	0.59%	
Direct & Estimated Overlapping Debt	7.40%	
Estimated Annual Debt Service Requirements		
Average (2012/2031)	\$185,900	
Maximum (2013)	\$203,250	
Fund Balances as of May 18, 2011 (Cash & Investments)		
General Operating Fund	\$2,512,870	
Debt Service Fund	\$0	(c)

- (a) Certified by the Harris County Appraisal District ("Appraisal District"). See "TAX PROCEDURES."  
 (b) See "--Estimated Overlapping Debt," below.  
 (c) Exclusive of one year's interest on the Bonds, to be deposited from Bond proceeds.

**Estimated Overlapping Debt**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u>Jurisdiction</u>	<u>Debt As Of June 1, 2011</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Harris County (a)(b)	\$2,917,856,628	0.147%	\$4,289,249
Harris County Department of Education	7,980,000	0.147%	11,731
Harris County Flood Control District	102,539,024	0.147%	150,732
Katy Independent School District	1,080,059,620	2.008%	21,687,597
Port of Houston Authority	763,619,397	0.147%	<u>1,122,521</u>
Estimated Overlapping Debt			\$27,261,830
The District (includes the Bonds)			<u>2,350,000</u>
Total Direct & Estimated Overlapping Debt			<u>\$29,611,830</u>

- (a) Includes \$583,270,000 Toll Road Bonds assumed to be self-supporting.  
 (b) Includes \$508,070,000 Flood Control Contract Bonds, paid from Harris County ad valorem taxes.

## **TAX PROCEDURES**

### **Authority To Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's outstanding bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board also is authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. Such an election was held on May 1, 1999, at which a maintenance tax without limitation as to rate or amount was authorized. For the 2010 tax year, the District levied a maintenance tax rate of \$0.346 per \$100 assessed valuation. No debt service tax was levied. See "TAX DATA--Tax Rate Distribution."

### **Exempt Property**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real 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; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational 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 or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between \$5,000 and \$12,000 depending on the disability rating of the veteran. Further, state law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of \$3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a \$50,000 homestead exemption to persons who are 65 years of age or older and a \$150,000 homestead exemption to disabled homestead owners.

The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 20% homestead exemption.

Harris County may designate all or part of the area within the District as a reinvestment zone, and the District, Harris County, Katy Independent School District or the City of Houston may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any 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. None of the area within the District has been designated as a reinvestment zone to date.

### **Appraisal of Taxable Property**

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Harris County, including the District, are included in the Harris County Central Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

### **Assessment and Levy**

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

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

The chief appraiser must give written notice to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District or of Harris County at an election held for such purpose determines to transfer such functions to the Appraisal District or another taxing unit.

The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. If the proposed combined debt service, operation and maintenance and contract tax rates imposes a tax more than 1.08 times the amount of tax imposed in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead, disregarding any homestead exemption available to the disabled or persons 65 years of age or older, the qualified voters of the taxing jurisdiction by petition of ten percent of the registered voters in the taxing jurisdiction may require that an election be held to determine whether to reduce the operation and maintenance tax to the rollback tax rate.

**Collection**

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to June 30 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

**TAX DATA**

**Tax Collection History**

The following table sets forth the historical tax collection experience of the District for the tax years indicated. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Percent Current</u>	<u>Percent Total</u>	<u>Year End Aug 31</u>
2003	\$380,436,790	\$0.325	\$1,239,478	98.68%	99.60%	2004
2004	379,732,910	0.325	1,246,772	98.87%	100.22%	2005
2005	385,282,436	0.325	1,249,980	98.33%	99.21%	2006
2006	383,643,045	0.325	1,253,103	98.37%	100.34%	2007
2007	399,632,956	0.324	1,229,551	98.81%	100.42%	2008
2008	408,001,736	0.324	1,325,550	99.16%	100.19%	2009
2009	403,709,594	0.324	1,311,525	98.61%	99.28%	2010
2010	400,029,894	0.346	1,384,104	98.13%	99.10%	2011 (a)

(a) Collections through May 21, 2011 only.

**Analysis of Tax Base**

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations indicated:

	<u>2010 Tax Year</u>			<u>2009 Tax Year</u>		
	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>
Land	\$120,046,220		22.81%	\$122,876,135		22.92%
Improvements	380,582,908		72.31%	383,149,332		71.48%
Personal	<u>25,683,627</u>		4.88%	<u>30,009,814</u>		5.60%
Total Appraised Value		\$526,312,755			\$536,035,281	
Less: Exemptions						
Totally Exempt	\$21,847,530			\$26,250,169		
20% Homestead	73,538,095			\$73,423,113		
Over 65/Disabled	27,704,785			26,341,699		
Other	<u>3,192,451</u>	<u>126,282,861</u>		<u>6,310,706</u>	<u>132,325,687</u>	
		<u>\$400,029,894</u>			<u>\$403,709,594</u>	

	<u>2008 Tax Year</u>			<u>2007 Tax Year</u>		
	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>	<u>Amount</u>	<u>Amount</u>	<u>Prct</u>
Land	\$115,499,990		21.45%	\$103,262,850		19.93%
Improvements	390,288,602		72.49%	383,477,195		74.02%
Personal	<u>32,632,875</u>		6.06%	<u>31,351,226</u>		6.05%
Total Appraised Value		\$538,421,467			\$518,091,271	
Less: Exemptions						
Totally Exempt	\$26,712,331			\$18,480,750		
20% Homestead	72,830,429			70,756,334		
Over 65/Disabled	23,770,862			22,215,561		
Other	<u>7,106,109</u>	<u>130,419,731</u>		<u>7,005,670</u>	<u>118,458,315</u>	
		<u>\$408,001,736</u>			<u>\$399,632,956</u>	

Note: Numbers presented above represent values as certified by the Appraisal District and may differ from assessed values shown elsewhere herein.

**Tax Rate Distribution**

The following table sets forth the tax rate distribution of the District for the years indicated:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Service	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.02387	\$0.04618
Maintenance	<u>0.346</u>	<u>0.324</u>	<u>0.324</u>	<u>0.324</u>	<u>0.325</u>	<u>0.325</u>	<u>0.30113</u>	<u>0.27882</u>
Totals	<u>\$0.346</u>	<u>\$0.324</u>	<u>\$0.324</u>	<u>\$0.324</u>	<u>\$0.325</u>	<u>\$0.325</u>	<u>\$0.32500</u>	<u>\$0.32500</u>

**Principal Taxpayers**

The following table sets forth the District's principal taxpayers and was provided by the District's Tax Assessor/Collector based upon the 2010 and 2009 certified tax rolls (which reflect ownership of property as of January 1, 2010 and 2009, respectively) according to the records of the Appraisal District:

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2010 Taxable Value</u>	<u>% of '10 A.V.</u>	<u>2009 Taxable Value (a)</u>	<u>% of '09 A.V.</u>
Texas Ford Inc (a)	Auto Dealership	\$12,958,110	3.24%	\$13,937,616	3.45%
Glen Rayman Ascot Trust	Apartments	12,675,000	3.17%	12,901,095	3.20%
Jim R Smith	Shopping Ctr/Bldgs	9,028,278	2.26%	10,390,719	2.57%
Southwestern Bell Telephone	Telephone Utility	4,935,362	1.23%	5,562,114	1.38%
UH Storage De Limited Ptn	Storage Facilities	3,675,104	0.92%	4,020,526	1.00%
Storage Trust Properties	Storage Facilities	2,860,032	0.71%	2,840,183	0.70%
Security Village Association	Strip Center	2,710,358	0.68%	2,000,000	0.50%
Shadel Holdings LP	Shopping Center	2,126,270	0.53%	2,254,955	0.56%
Tradewind Associates LLC	Shopping Center	1,899,135	0.47%	2,025,990	0.50%
M&M Rafizadeh Family Ltd	Acreage	1,886,180	0.47%	(b)	
Nottingham Enterprises Inc	Office Building	(b)		<u>2,001,210</u>	<u>0.50%</u>
Total--Top Ten		<u>\$54,753,829</u>	<u>13.69%</u>	<u>\$57,934,408</u>	<u>14.35%</u>

(a) Includes Autonation Ltd, owner of automobile inventory.

(b) Not among top ten for this tax year.

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

<u>Taxing Entities</u>	<u>2010 Tax Rates</u>
Harris County	\$0.388050
Harris Co. Department of Education	0.006581
Harris Co. Emergency Services District No. 48	0.083800
Harris Co. Flood Control District	0.029230
Harris Co. Hospital District	0.192160
Katy Independent School District	1.526600
Port of Houston Authority	<u>0.020540</u>
Overlapping Taxes	\$2.246961
The District	<u>0.346000</u>
Total Direct & Overlapping Taxes	<u>\$2.592961</u>

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2010 Taxable Valuation (\$400,029,894). The calculations assume collection of 99% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Estimated Average Annual Debt Service Requirements (2012/2031)	\$185,900
Tax Rate of \$0.047 on the 2010 Taxable Valuation produces	\$186,134
Estimated Maximum Annual Debt Service Requirements (2013)	\$203,250
Tax Rate of \$0.052 on the 2010 Taxable Valuation produces	\$205,935

**Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston**

The District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston (the “City”) effective as of December 2, 2002 whereby the tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City’s Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The SPA was amended effective as of December 14, 2009 to include an additional tract. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized. Neither the District nor any owners of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

In consideration of the services provided by the City, in lieu of full purpose annexation, the District is required to pay the City an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of the City. Under the SPA the City agrees that it will not annex all or part of the District for a period of thirty years.

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly to pay the principal of and interest on the Bonds.

The following is an analysis of the collection history of the SPA revenues received from the City for the years indicated:

<i>Ad Valorem Taxation Comparisons</i>				
<i>Fiscal Year Ended 6/30</i>	<i>SPA Receipts</i>	<i>Equivalent Tax Year</i>	<i>Tax Rate Equivalent</i>	<i>% of Adjusted Tax Levy</i>
2006	\$173,529	2005	\$0.0450	13.88%
2007	197,215	2006	.0514	15.74%
2008	132,342	2007	.0331	10.18%
2009	217,180	2008	.0532	16.38%
2010	208,079	2009	.0515	15.87%
2011(a)	117,649	2010	.0294	8.50%

(a) Represents collections for the ten months ended April 30, 2011 only.

## THE SYSTEM

### Regulation

The water, wastewater and drainage facilities (the "System") financed by the District have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Harris County, Harris County Flood Control District and the City of Houston. During construction, facilities are subject to inspection by the District's Engineer, the foregoing governmental agencies and by the TCEQ.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, Harris County and the City of Houston. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

### Description of the System

The District has developed the System with proceeds of previously issued bonds, all of which have been retired, and with funds provided by developers, which were reimbursed in part with proceeds of such previously issued bonds. The System currently serves 2,709 equivalent single family connections ("ESFC") with water service and 3,180 ESFC with wastewater service.

### -Water Supply and Distribution-

The water facilities include three water wells currently on line with a combined capacity of 4,900 gallons per minute ("gpm"). A fourth water well failed and is to be replaced with proceeds of the Bonds. This new water well is estimated to produce 1,000 gpm, thus bringing the total water well capacity of the District up to an estimated 5,900 gpm. The water plants also include 25,000 gallons of pressure tanks, 2,940,000 gallons of ground storage tanks, 500,000 gallons of elevated storage tanks and booster pump capacity of 7,000 gpm. Water distribution lines have been installed throughout the District. The water supply facilities are capable of serving 3,500 ESFC.

The District also has interconnect agreements for water supply with Green Trails Municipal Utility District, Harris County Municipal Utility District No. 81 and Interstate Municipal Utility District.

#### **-Wastewater Collection and Treatment-**

The District has entered into joint agreements with two regional treatment facilities for the treatment of its wastewater. The two agreements, detailed below, give the District a total wastewater treatment capacity of 1,300,000 gallons per day ("gpd"). This capacity is capable of serving 4,333 ESFC (based on 300 gpd per connection).

*West Memorial Regional Wastewater Treatment Plant:* The District originally entered into an agreement on December 18, 1972 with three other districts to participate in the West Memorial Plant. The plant is located within the boundaries of the West Memorial Municipal Utility District which also operates and manages the facility. The plant had an original capacity of 2,570,000 gpd, of which the District had capacity ownership of 500,000 gpd. Pursuant to an amendatory agreement dated August 30, 1983, the districts, along with a fifth participating district, agreed to expand the capacity to the West Memorial Plant to 6,475,000 gpd, of which the District's ownership capacity consists of 800,000 gpd. The agreement expires in August 2023. The West Memorial Plant is capable of serving 21,583 ESFC, out of which the District's capacity share is 2,667 ESFC.

*Cinco Regional Plant:* In 1978, the District entered into an agreement with three other districts to participate in wastewater treatment plant known as the "Cinco Plant" together with a trunk-sewer collection system. Since 1978, the agreement has been amended and supplemented. The Cinco Plant has a total rated capacity of 3,000,000 gpd, of which the District has ownership of 500,000 gpd. Harris County Municipal District No. 81 operates the plant and there is an advisory operating committee composed of one representative from each member district. The Cinco Plant is capable of serving 10,000 ESFC, out of which the District's capacity share is 1,667 ESFC.

#### **-Storm Drainage-**

Storm sewer lines have been extended to serve the entirety of the District. The storm sewer lines drain directly into Mason Creek, a Harris County Flood Control District maintained channel.

According to the National Flood Insurance Program Flood Insurance Rate Map for Harris County dated June 18, 2007, the areas within the 100-year floodplain are contained within the drainage easements of Mason Creek.

#### **Subsidence District**

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Plan, the District must submit a groundwater reduction plan ("GRP") to the Subsidence District by January of 2003 and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. Additional disincentive fees will be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 30% of the District's total water demand beginning January 2020, and exceeds 20% of the District's total water demand beginning January 2030.

#### **-Conversion to Surface Water-**

The District is located within the boundaries of the Subsidence District. Pursuant to an order of the Subsidence, the area within the boundaries of the District must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 70% alternate source water use by 2020, and 80% alternate source water use by 2030. To implement the required conversion to alternate source water use in accordance with such schedule, the City of Houston will design, construct and operate a project to meet compliance of the Subsidence District. Effective July 18, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3.

In addition to the Bonds, the issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure or to participate in a regional

surface water conversion effort. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

**Rate Order**

The District's utility rate order, subject to change from time to time by the Board, is summarized in part below from the most recent Rate Order, which became effective on April 13, 2011:

**-Water Rates (a)-**

***Residential***

First 6,000 gallons	\$20.00 (minimum)
Next 9,000 gallons	\$1.25 per 1,000 gallons
Next 10,000 gallons	\$1.75 per 1,000 gallons
Over 25,000 gallons	\$2.00 per 1,000 gallons

***Commercial***

First 6,000 gallons	\$15.40 to \$550.00 (minimum) (b)
Over 6,000 gallons	\$2.25 per 1,000 gallons

(a) Plus the groundwater reduction fee per thousand gallons pumped by the District, currently \$1.00 per thousand gallons.

(b) Minimum fees dependent on meter size.

**-Sewer Rates-**

***Residential***

First 6,000 gallons	\$18.00 (minimum)
Next 9,000 gallons	\$1.25 per 1,000 gallons
Over 15,000 gallons	\$1.45 per 1,000 gallons

***Commercial***

First 6,000 gallons	\$13.75 (minimum)
Over 6,000 gallons	\$3.50 per 1,000 gallons

**Historical Operations of the General Fund**

The following statement sets forth in condensed form the historical operations of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements, except for the ten-month period ended April 30, 2011, which was prepared from unaudited District records. Reference is made to such statements for further and complete information.

	<i>7/1/2010 to</i>		<i>Fiscal Years Ended June 30</i>			
	<u>4/30/11(a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>						
Water Service	\$1,001,379	\$1,007,232	\$977,633	\$864,840	\$777,212	\$944,626
Sewer Service	654,776	657,470	636,343	547,398	468,869	557,221
Property Taxes	1,427,794	1,280,305	1,351,700	1,295,672	1,269,340	1,221,754
Sales Tax	117,649	208,079	217,180	132,342	197,215	173,529
Investment Income	19,116	54,671	103,810	131,559	130,711	77,220
Other Revenues	<u>102,659</u>	<u>148,521</u>	<u>131,498</u>	<u>110,011</u>	<u>93,777</u>	<u>90,410</u>
Total Revenues	\$3,323,373	\$3,356,278	\$3,418,164	\$3,081,822	\$2,937,124	\$3,064,760
<b>Expenditures</b>						
Contracted Services	\$695,331	\$1,322,113	\$1,267,320	\$992,569	\$517,158	\$546,281
Purchased Sewer Service	294,639	394,315	353,239	340,297	336,546	356,006
Payroll	165,060	189,023	176,535	166,587	146,046	140,044
Repairs & Maintenance	310,921	897,796	1,007,488	905,528	499,005	1,006,102
Professional Fees	237,625	90,206	103,507	146,803	53,309	79,405
Other Operating Expend.	<u>941,777</u>	<u>602,061</u>	<u>535,382</u>	<u>559,959</u>	<u>557,988</u>	<u>518,443</u>
Total Expenditures	<u>\$2,645,353</u>	<u>\$3,495,514</u>	<u>\$3,443,471</u>	<u>\$3,111,743</u>	<u>\$2,110,052</u>	<u>\$2,646,281</u>
Net Revenues (Expend.)	<u>\$678,019</u>	<u>(\$139,236)</u>	<u>(\$25,307)</u>	<u>(\$29,921)</u>	<u>\$827,072</u>	<u>\$418,479</u>
Beginning Fund Balances		3,065,340	3,039,042	3,289,625	2,759,293	2,459,292
Capital Outlay	(848,627)	(304,647)	(23,383)	(220,662)	(296,740)	(118,478)
Transfers In		<u>0</u>	<u>74,988</u>	<u>0</u>	<u>0</u>	<u>0</u>
Year-End Fund Balance		<u>\$2,621,457</u>	<u>\$3,065,340</u>	<u>\$3,039,042</u>	<u>\$3,289,625</u>	<u>\$2,759,293</u>
Cash/Invest's at 6/30 (b)		<u>\$2,860,566</u>	<u>\$3,203,782</u>	<u>\$3,193,330</u>	<u>\$3,303,067</u>	<u>\$2,861,491</u>
% of Annual Expenses		81.84%	93.04%	102.62%	156.68%	108.13%
Active Water Connections		2,489	2,485	2,480	2,477	2,476

(a) Unaudited figures.

(b) Net of security deposits.

## **RISK FACTORS**

### **General**

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

### **Maximum Impact on District Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2010 Taxable Valuation is \$400,029,894. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement (2013) is \$203,250 and the estimated average annual debt service requirements (2012/2031) is \$185,900. Assuming no increase or decrease from the 2010 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.052 and \$0.047 per \$100 assessed valuation at a 99% collection rate against the 2010 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board has levied a tax rate \$0.346 for maintenance and operation purposes for 2010 and has not levied a debt service tax since 2004. See "DISTRICT DEBT--Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

### **Overlapping Tax Rates**

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's and the overlapping taxing entities is high as compared to the combined tax rates generally levied upon comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a registered owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the

registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the registered owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the registered owners.

#### **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 District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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

#### **Future Debt**

After issuance of the Bonds, the District will have \$2,650,000 in authorized but unissued unlimited tax bonds and \$129,000 in authorized but unissued combination unlimited tax and revenue bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed. The District has no plans to issue additional bond within the next twelve months.

#### **Potential Conversion to Surface Water**

The District is located within the boundaries of the Subsidence District which regulates groundwater withdrawal. The District's authority to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. On April 14, 1999 the Subsidence District adopted a Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. The current Subsidence District Regulatory Plan requires a phased conversion to surface water by all groundwater permittees or groups of permittees within the area. The District is located in Area 3 of the Subsidence District Regulatory Plan, and was, therefore, required to have either a certified groundwater reduction plan ("GRP") on file with the Subsidence District or to be part of a regional GRP by January 1, 2003 or be assessed a penalty of \$3.00 per 1,000 gallons of water pumped. The District joined a regional GRP prior to January 1, 2003, as described below. Additionally, all Area 3 permittees are required to begin construction of the infrastructure identified in the GRP by 2005, to reduce their groundwater withdrawals to no more than 70% of their total water demand by 2010, to reduce their groundwater withdrawals to no more than 30% of their total water demand by 2020, and to reduce their groundwater withdrawals to no more than 20% of their total water demand by 2030.

To implement the required conversion to alternate source water use in accordance with such schedule, the City of Houston will design, construct and operate a project to meet compliance of the Subsidence District. On July 18, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3.

No representation is made that the City of Houston will construct its project to meet the Subsidence District's Regulatory Plan. If the City of Houston fails to construct such project, the District would be subject to the Subsidence District's disincentive fee and would be required to proceed with preparing and implementing its own groundwater reduction plan.

#### **Continuing Compliance with Certain Covenants**

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

### **LEGAL MATTERS**

#### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain proceedings had incident to the authorization and issuance of the Bonds, including a certified copy of the unqualified approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The District will also furnish the approving legal opinion of Michael A. Cole, P.C., Bond Counsel, to the effect that based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against taxable property within the District. See "TAX EXEMPTION" below for a discussion of Bond Counsel's opinion regarding the tax-exempt status of the Bonds. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. The opinion of Bond Counsel is expected to be reproduced on the back panel of the Bonds. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds.

#### **Legal Review**

In its capacity as Bond Counsel, Michael A. Cole, P.C. has reviewed the information in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT--Authority, Purpose and Functions," "TAX PROCEDURES," "LEGAL MATTERS-- Legal Opinions," "TAX EXEMPTION," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the laws and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

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

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

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and the Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of the Bonds; in any manner questioning the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the titles of the present officers of the District.

## **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

## **TAX EXEMPTION**

### **Opinion**

On the date of initial delivery of the Bonds, Michael A. Cole, P.C., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (i) interest on the Bonds is excludable from gross income of the owners of the Bonds for federal income tax purposes, and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In expressing its opinion, Bond Counsel will rely on (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to comply with these covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel has based its opinion is subject to changes by the Congress and to subsequent judicial and administrative interpretation by the court. There can be no assurance that such 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.

### **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined using the yield to maturity on the Premium Obligation based on the initial offering price of such Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount

of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the sub-captions "Tax Exemption" and "Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation 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 Obligation was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Obligation 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 Obligation 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Obligation.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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, 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, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income tax credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

**INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for non-corporate taxpayers (28 percent for taxable income exceeding

\$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by Section 884 on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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 the purpose, a de minimus 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 issued 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.

#### **Qualified Tax Exempt Obligations**

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. Section 265(b) of the Code limits the portion of interest a financial institution can deduct when it owns obligations yielding tax exempt interest. It also provides an exception to this rule for interest expense allocable to tax exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000. The District has designated the Bonds as "qualified tax-exempt obligations" and will or has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the limitation of interest expense allocable to interest on the Bonds under section 265(b) of the Code; however, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to Section 291 of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Annual Reports**

The District will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes the audited annual financial statements as found in this Official Statement under

“APPENDIX A” and the schedules listed in “APPENDIX B.” The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation. The District’s current fiscal year-end is the last day of June. Accordingly, the District must provide updated information by the last day of December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

#### **Material Event Notices**

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the System or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of trustee, if material.

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District’s duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

### **Compliance with Prior Undertakings**

Other than in connection with the issuance of the Bonds, the District has not previously made a continuing disclosure agreement in accordance with the Rule.

### **FORWARD-LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

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

### **PREPARATION OF OFFICIAL STATEMENT**

#### **General**

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

#### **Consultants**

The information contained in this Official Statement relating to the physical characteristics of the District, engineering and the description of the System generally and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA," "TAX PROCEDURES" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing.

The financial statements contained in "APPENDIX A--Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

**Updating the Official Statement**

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

**Financial Advisor**

Blitch Associates, Inc. is employed as the Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

**Certification of Official Statement**

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Mason Creek Utility District of Harris County, Texas as of the date specified on the first page hereof.

/s/ \_\_\_\_\_  
President, Board of Directors  
Mason Creek Utility District of Harris County, Texas

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors  
Mason Creek Utility District of Harris County, Texas

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

# **MASON CREEK UTILITY DISTRICT**

**KATY, TEXAS 77450**

## **ANNUAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Marrou Hagen & Adkins**  
**A Professional Corporation**  
**Certified Public Accountants**  
**524 E. Lamar Blvd., Suite 110**  
**Arlington, Texas 76011**  
**817-861-0145**

MASON CREEK UTILITY DISTRICT  
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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }  
COUNTY OF Harris }

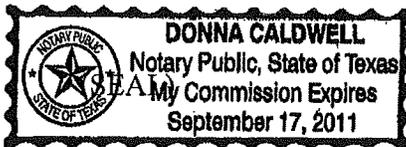
I, Len Forsyth of Mason Creek Utility District hereby swear, or affirm, that  
(Name of Duly Authorized District Representative)  
the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the \_\_\_ day of September, 2010 its annual audit report for the fiscal year or period ended June 30, 2010 and that copies of the annual audit report have been filed in the district office, located at 847 Dominion, Katy, Texas 77450 .  
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: September 15, 2010 By: [Signature]  
(Signature of District Representative)

Len Forsyth, President  
(Type Name & Title of the above District Representative)

Sworn to and subscribed to before me this 15 day of September, 2010.  
[Signature]  
(Signature of the Notary)



My Commission Expires On September 17, 2011.  
Notary Public of the State of Texas

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Mason Creek Utility District  
Katy, Texas

We have audited the accompanying financial statements of Mason Creek Utility District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mason Creek Utility District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mason Creek Utility District as of June 30, 2010, and the respective changes in financial position and fund balances, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and page 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information as detailed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. These supplementary schedules have been subjected to certain limited procedures, which consisted of inquiries of management and other limited auditing procedures, regarding the methods of measurement and presentation of the required Texas Supplementary Information. However, we did not audit the schedules and express no opinion on them.

*Marrou Hagen & Adkins*

Marrou Hagen & Adkins, P.C.  
Arlington, Texas  
August 26, 2010

**Mason Creek Utility District**  
**Management's Discussion and Analysis**

**Overview of the Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Governmental fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The District's activities are entirely governmental activities (in millions).

	<u>Governmental</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current Assets:	\$ 4.5	\$ 4.9	\$ 4.5	\$ 4.9
Non-current Assets	<u>9.6</u>	<u>9.8</u>	<u>9.6</u>	<u>9.8</u>
Total Assets	<u>14.1</u>	<u>14.7</u>	<u>14.1</u>	<u>14.7</u>
Long-Term Debt Outstanding	-	-	-	-
Other Liabilities	<u>(1.8)</u>	<u>(1.8)</u>	<u>(1.8)</u>	<u>(1.8)</u>
Total Liabilities	<u>(1.8)</u>	<u>(1.8)</u>	<u>(1.8)</u>	<u>(1.8)</u>
Net Assets:				
Invested in Capital Assets—Net of Debt	9.7	9.9	9.7	9.9
Restricted	-	-	-	-
Unrestricted	<u>2.6</u>	<u>3.1</u>	<u>2.6</u>	<u>3.1</u>
Total Net Assets	<u>\$12.3</u>	<u>\$13.0</u>	<u>\$12.3</u>	<u>\$13.0</u>
Revenues:				
Charges for services	\$ 1.7	\$ 1.6	\$ 1.7	\$ 1.6
Maintenance and operation tax	1.3	1.4	1.3	1.4
Sales Tax	.2	.2	.2	.2
Other	<u>.2</u>	<u>.2</u>	<u>.2</u>	<u>.2</u>
Total Revenues	<u>3.4</u>	<u>3.4</u>	<u>3.4</u>	<u>3.4</u>
Expenditures:				
Contracted services	1.3	1.3	1.3	1.3
Purchased services	.4	.3	.4	.3
Payroll	.2	.2	.2	.2
Recurring operating expenses	.5	.5	.5	.5
Repairs and maintenance	.9	1.0	.9	1.0
Professional fees	.1	.1	.1	.1
Debt service	-	-	-	-
Depreciation and amortization	.5	.5	.5	.5
Other	<u>.4</u>	<u>-</u>	<u>.4</u>	<u>-</u>
Total Expenses	<u>4.3</u>	<u>3.9</u>	<u>4.3</u>	<u>3.9</u>
Change in Net Assets	<u>\$(.9)</u>	<u>\$(.5)</u>	<u>\$(.9)</u>	<u>\$(.5)</u>

**Mason Creek Utility District**  
Management's Discussion and Analysis

**Financial Analysis of the Water District as a Whole**

The District's net assets decreased \$.9 million when compared with net assets for the year ended June 30, 2009. Net assets for the year ended June 30, 2010 decreased due to the components of total assets decreasing \$.6 million, when comparing 2010 to 2009.

Current assets decrease \$.4 million due to a decrease in cash and certificates of deposit. The reduction in non-current assets of \$.2 million was due to an increase in capital assets of \$.3million and a decrease caused by \$.5 million in depreciation and amortization for the year ended June 30, 2010. Other liabilities were basically unchanged.

Total revenues remain unchanged. Expenses increased by \$.4 million over 2009. The increase was primarily a \$.1 million increase in purchased sewer services and a \$.3 million increase in capital expenditures.

**General Fund Budgetary Highlights**

Over the course of the year, the District Board has reviewed the budget to take into account events during the year. The most significant changes between the original budget and the actual results of the general fund were the negative variances in maintenance and operation taxes of \$272,227, and investment interest of \$38,399. The negative variances in revenues were offset by positive variances in water and sewer service fees of \$57,017 and sales tax revenues of \$28,960. Additionally, expenditures had positive variances in repairs and maintenance of \$214,074 and capital expenditures of \$607,853. When compared to the original budget, the actual results represent a net \$628,711 positive variance.

**Capital Asset and Debt Administration**

At the end of 2010, the District had \$9,669,381 invested in a broad range of capital assets, including land, buildings, equipment, and water and sewer systems. See Note 6 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The District's budget for 2011 calls for revenues to approximate 98% of the actual results for 2010. Expenditures for 2011 are expected to approximate 2010 levels except for planned increases in repairs and maintenance, capital expenditures and certain recurring operating expenses. These increases are primarily due to necessary improvements in the District's capital asset infrastructure. The District expects to have a \$1,773,000 deficit that will be funded from reserves.

**District's Current Projects**

All of Harris County is experiencing subsidence and lower ground water levels. The District is investigating and reworking its wells (where necessary) to provide an uninterrupted supply of water to all those within the District.

**Mason Creek Utility District**  
**Management's Discussion and Analysis**

**New Projects**

Notification throughout our District of an emergency condition is very important. To that end, we have installed a two sided LED sign on Kingsland Blvd. Along with that, we are looking into ways to notify all of our residents via electronic media if any emergency condition should arise.

Customer confidentiality is an ongoing concern. We are currently updating our record keeping system to further protect all customer records. One of our security updates was indentified as "Red Flag" and that installation has been completed.

**Ongoing Projects**

Sidewalks and street lighting were installed along Kingsland Blvd. We are continuing with plans to install sidewalks and street lighting along Houghton and other portions of Kingsland Blvd. This is a very high traffic area with two churches, a high school and an elementary school.

Currently, one of our wells has collapsed. It has been determined that the well is not repairable after an extensive effort during the year. Plans and specifications are being prepared for the drilling of a replacement well.

**Community Improvements**

The District has added over the past two years "a value added concept" to help compete with the newer subdivisions being built in the area. One ongoing effort is the continuing improvements to the District's Community Center. Another, is the District's efforts with the adjacent districts to strengthen their water interconnect system to be able to provide more reliable water services especially in emergency situations.

**District Security**

In response to governmental awareness of possible disruptions of water services, the District in 2008 increased the security surrounding its water system. Measures are being continually reviewed and have been taken to further secure the District's well sites and waste water collection system.

**Contacting the District's Management**

This financial report is intended to provide our residents, taxpayers and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the District's office.

**Mason Creek Utility District  
Statement of Net Assets  
June 30, 2010**

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Assets</u>
<b>ASSETS:</b>			
Cash	\$ 1,406,645	\$	\$ 1,406,645
Certificates of deposit	1,479,556		1,479,556
Accrued interest receivable	5,660		5,660
Accounts receivable:			
Water and sewer	147,723		147,723
Taxes	1,319,093		1,319,093
Other	91,300		91,300
Prepaid expenses	17,030		17,030
Capital Assets:			
Land		471,667	471,667
Buildings, net		318,985	318,985
Furniture and equipment, net		45,646	45,646
Machinery and equipment, net		305,496	305,496
Transportation equipment, net		44,533	44,533
Recreational facility		89,419	89,419
Community center, net		560,956	560,956
Intangible assets		82,921	82,921
Organizational costs, net		355,206	355,206
Engineering fees, net		646,462	646,462
Water system, net		3,617,710	3,617,710
Sewer system, net		1,725,877	1,725,877
Drainage system, net		617,498	617,498
Sewer plant contribution, net		787,005	787,005
<b>Total assets</b>	<u>\$ 4,467,008</u>	<u>\$ 9,669,381</u>	<u>\$ 14,136,388</u>

The accompanying notes are an integral part of these financial statements.

**Mason Creek Utility District  
Statement of Net Assets  
June 30, 2010**

	<b>General Fund</b>	<b>Adjustments (Note 9)</b>	<b>Statement of Net Assets</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 430,617	\$	\$ 430,617
Accrued expenses	74,298		74,298
Deposits	25,635		25,635
Deferred revenue	1,315,000		1,315,000
<b>Total liabilities</b>	<b>1,845,550</b>		<b>1,845,550</b>
 <b>FUND BALANCES &amp; NET ASSETS:</b>			
Fund balances:			
General Fund	2,621,457	(2,621,457)	
Total fund balances	2,621,457	(2,621,457)	
Total liabilities and fund balances	\$ 4,467,007	\$	
 <b>NET ASSETS:</b>			
Invested in capital assets, net of related debt		9,669,381	\$ 9,669,381
Unrestricted:			
General fund		2,621,457	2,621,457
<b>Total net assets</b>		<b>\$ 9,669,381</b>	<b>\$ 12,290,838</b>

The accompanying notes are an integral part of these financial statements.

**Mason Creek Utility District**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Service fees, water	\$ 1,007,232	\$ \$	\$ 1,007,232
Service fees, sewer	657,470		657,470
Maintenance and operation tax	1,280,305		1,280,305
Sales tax revenue	208,079		208,079
Penalties and interest	31,214		31,214
Tap connection and inspection fees	14,828		14,828
Investment interest	54,671		54,671
Community center fees	85,154		85,154
Other	17,325		17,325
<b>Total revenues</b>	<u>3,356,278</u>		<u>3,356,278</u>
<b>Expenditures:</b>			
<b>Service operations:</b>			
Contracted services	1,322,113		1,322,113
Purchased sewer service	394,315		394,315
Payroll expenditures	189,023		189,023
Recurring operating expenses	477,852		477,852
Repairs and maintenance	897,796		897,796
Professional fees	90,206		90,206
Director fees	21,750		21,750
Consumable supplies and materials	102,459		102,459
Capital expenditures	304,647	(18,322)	286,325
Depreciation & amortization		520,275	520,275
<b>Total expenditures</b>	<u>3,800,161</u>	<u>501,953</u>	<u>4,302,114</u>
Excess (deficiencies) of revenues over expenditures	(443,883)	(501,953)	
Change in net assets			(945,836)
<b>Fund balance/net assets:</b>			
Beginning balance	3,065,340	10,171,334	13,236,674
End of the year	<u>\$ 2,621,457</u>	<u>\$ \$ 9,669,381</u>	<u>\$ 12,290,838</u>

The accompanying notes are an integral part of these financial statements.

**Mason Creek Utility District**  
Notes to Financial Statements

**Note 1: Creation of District**

Mason Creek Utility District of Harris County, Texas (the "District") was created by the Acts of the 62nd Legislature of Texas, Regular Session, 1971, page 2164, chapter 664, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The Board of Directors held its first meeting on December 29, 1971 and its first bonds were sold on July 23, 1973.

**Note 2: Reporting Entity and Significant Accounting Policies**

Introduction

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for state and local governments, as defined by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the Water District Financial Management Guide published by the Texas Commission on Environmental Quality. The more significant of the District's accounting policies are described below.

Reporting Entity

The financial statements of the reporting entity are the governmental funds utilized by the District. These governmental fund types are the component unit on which the District exercises its oversight responsibility.

Two joint ventures have been entered into for the treatment of sewage. The first joint venture is a component and oversight unit of the managing district, West Memorial Municipal Utility District. The second joint venture has a separate governing body representing the participating districts. Financial activity for the joint ventures has been disclosed in Note 5.

Basis of Presentation and Accounting

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The District elected to implement the general provisions of the Statement in the year ended June 30, 2003 and retroactively reported infrastructure assets acquired from the District's inception.

The financial transactions of the District are recorded in individual funds which comprise government-wide financial statements.

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all activities of the District. The effect of inter-fund activity has been removed from these statements.

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 2: Reporting Entity and Significant Accounting Policies (continued)**

The statement of activities demonstrates the degree to which the revenues of a given function or segment are offset by direct expenses. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to District residents who purchase, use, or directly benefit from goods, services, or privileges provided by the District.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest, and service revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide fund financial statements to the extent that those standards do not conflict with the standards of the GASB.

The General Fund is the general operating fund of the District and is the remaining major governmental fund. It accounts for all financial resources except those required to be accounted for in another fund.

**Budgetary Data**

The District prepares its annual, non-appropriated operating budget using the modified accrual basis of accounting for the General Fund.

**Water and Sewer Receivables**

Water and sewer receivables represent the unpaid portion of monthly billings for those services. The District utilizes the allowance for doubtful accounts method of accounting for potential uncollected

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 2: Reporting Entity and Significant Accounting Policies (continued)**

Water and Sewer Receivables (continued)

billings. Accounting for potential uncollected billings is performed by a monthly review and collection effort by the Board of Directors. Amounts identified as uncollectible are fully reserved.

Property Taxes Receivable

Property taxes receivable represent uncollected taxes net of an allowance for unavailability. Unavailability is that amount not collected within sixty days after year-end. At June 30, 2010 the allowance was \$36,600.

Property taxes receivable are recognized as of year-end, June 30. The receivable is recognized for the entire tax levy of the ensuing fiscal year. Revenues from property taxes are recognized in the fiscal year in which the tax is levied, even though the receivable is recognized in the prior period. Property taxes recognized as receivables before the period of revenue recognition are reported as deferred revenues.

The District's property tax calendar is as follows: Taxable values and qualifications for exemptions are determined as of January 1. A tax lien also attaches to property to secure payments of taxes, penalties, and interest that will be imposed for the year. Prior year taxes become delinquent on February 1. Taxpayers sixty-five years of age or older can elect quarterly installment payments due on January 31, March 31, May 31, and July 31. By September 1, or soon thereafter, a tax rate must be adopted for the new year and a tax levied against all taxable property in the District. The tax assessor must mail the current year tax bills by October 2. Collections of current year taxes generally begin at that time.

Inter-fund Transactions

Transfers from one fund to another fund are reported as inter-fund receivables and payables if there is intent to repay the amount and the debtor fund has the ability to repay. Operating transfers represent routine, recurring transfers of resources between funds. Transfers of residual equities are non-recurring or non-routine transfers of equity between funds and are reported as additions to or deductions from the fund balance of the governmental fund types. Since the District has completely satisfied its obligations under the Debt Service Fund, the District transferred the remaining Debt Fund balance to the General Fund as a permanent transfer as of September 30, 2008.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g. water tanks, sewer lines and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 2: Reporting Entity and Significant Accounting Policies (continued)**

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Water system	50 years
Sewer system	50 years
Drainage system	40 years
Sewer plant contribution	50 years
Engineering fees	50 years
Community center	20 years
Machinery and equipment	15 years
Furniture and equipment	20 years
Transportation equipment	5 years

Capital assets are recorded as expenditures in governmental fund types at the time the assets are received and the liability is incurred.

**Pension Costs**

The District has established a simplified employee pension plan. It has also elected to provide social security coverage to all employees who are not participating in a public retirement system. See Note 7.

**Cash and Investments**

In accordance with various state statutes, the District may invest available monies in certificates of deposit, in state or national banks or savings and loan associations within the state.

State statutes require that the District obtain a valid pledge of securities for any funds in a financial institution in excess of federal deposit insurance limits.

At the balance sheet date, cash and certificates of deposit were \$2,886,201 of which \$750,000 was covered by federal insurance. The remainder was adequately collateralized with pledged U.S. Government securities. Certificates of deposit totaling \$1,479,556 are with Tradition Bank.

**Note 3: Bonds Payable**

The District held an election on December 4, 1993 approving an additional \$7,500,000 in tax revenue bonds to be sold for major improvements to the District's water and sewer system. As of year-end, \$5,129,000 of these bonds remained unsold.

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 4: Significant Bond Resolution and Legal Requirements**

If the District were to issue additional bonds, they would be subject to the following requirements: The bonds are payable from the proceeds of an ad valorem tax levied upon all taxable property subject to taxation within the District, without limitation as to rate or amount. They are further payable from and secured by a first lien on the net revenues (as defined in the Bond Resolution of the District) to be received from the operation of the District's waterworks and sanitary sewer system.

The Bond Resolution states that any profits realized or interest accruing on investments shall belong to the fund from which the monies for such investments were taken. In accordance with this provision, the earnings would be retained by the fund making the investment.

The Bond Resolution states that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents, or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivision; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible, then the District shall not be required to carry such insurance. At June 30, 2010, the District had physical damage coverage of \$10,935,000, comprehensive general liability coverage with an aggregate limit of \$3,000,000, commercial auto liability with an aggregate limit of \$1,000,000 and other insurance policies covering employee dishonesty and directors' liability. Additionally, the District maintains an excess liability policy of \$3,000,000.

The Bond Resolution requires the District to deposit, as collected, all revenues from the System into the General Fund. Preferentially, all monies deposited into the General Fund shall be used for the purpose of paying the maintenance and operation expenses of the System, and thereafter, only so long as there remains outstanding bonds to which a revenue pledge is in effect, making periodic transfers from the General Fund into the Debt Service Fund, as provided in the Bond Resolution.

The Bond Resolution states that if sufficient monies remain in the General Fund over and above the operating reserve (two months' average maintenance and operating expenses), the District shall make periodic transfers into the Debt Service Fund until such fund equals the average annual debt service requirements as of the date of the latest bond sale. This fund shall be used solely to prevent default in the payment of bond interest and principal.

**Note 5: Wastewater Treatment Facilities**

The District has entered into two separate joint ventures for the treatment of its wastewater at two regional wastewater facilities. The first joint venture is a component and oversight unit of the managing district, West Memorial Municipal Utility District. The second joint venture has a separate governing body representing the participating districts.

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 5: Wastewater Treatment Facilities (continued)**

West Memorial Regional Sewage Treatment Plant

This treatment plant originally had a capacity of 2,570,000 gallons per day of sewage treatment. On August 30, 1983, the participants agreed to expand the sewage treatment capacity to 6,475,000 gallons per day. The participants and their percentage of plant capacity ownership are as follows:

<u>Participants</u>	<u>Percent of Total Capacity</u>
West Memorial	9.25
Interstate	20.85
Mason Creek	12.36
District 81	19.38
Cimarron	38.16

The treatment plant is operated and managed by West Memorial for the term of the operating agreement, which expires in 2023. Annual budgets are prepared to provide for the payment of all operation and maintenance expenses and for an operation and maintenance reserve equivalent to three month's of operation and maintenance expenses.

Construction and engineering fees previously paid for Mason Creek's share totaled \$515,930. This amount is capitalized as a sewer plant contribution.

Summary financial information as of June 30, 2009, reported on by other accountants, is as follows:

	<u>General Fund</u>
Total assets	\$ 851,120
Total liabilities	564,164
Total fund equity	286,956
Total revenue	1,924,284
Total expenditures	1,924,284
Other financing sources	<u>8,905</u>
Net (decrease) in fund balance	8,905
Fund balance, beginning of year	<u>278,051</u>
Fund balance, end of year	<u>\$ 286,956</u>

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 5: Wastewater Treatment Facilities (continued)**

Cinco Regional Plant

The Cinco plant has a daily treatment capacity of 3,000,000 gallons. The participants are Mason Creek Utility District, Harris County Municipal Utility District No. 81, Memorial Municipal Utility District, and Cornerstones Municipal Utility District. Mason Creek owns 500,000 gallons per day of sewage treatment capacity. Harris County Municipal District No. 81 is the operator of the plant and may be succeeded pursuant to terms of the agreement. The governing body of the plant is its Operating Committee, which is composed of four members, each representing the participating districts. Each member has one vote for all issues except budget where each member's vote is weighted based on the number of existing connections to the plant.

The operating agreement expires in 2037.

Summary financial information as of December 31, 2009, reported on by other accountants is as follows:

	<u>Statement of Net Assets</u>
Total assets	\$ 4,736,937
Total liabilities	58,424
Total net assets	4,678,513
Total revenue	1,042,443
Total expenditures	<u>1,165,802</u>
(Decrease) in net assets	(123,359)
Fund balance, beginning of year	<u>4,801,872</u>
Fund balance, end of year	<u>\$ 4,678,513</u>

There is no joint venture debt other than accounts payable of \$58,424.

**Note 6: Compensated Absences**

Employees of the District are entitled to paid vacation, sick days and holidays off based on meeting certain criteria. These benefits are determined on a calendar year basis and may not be carried over to the succeeding year. During the calendar year, the District accrued for compensated absences and as of June 30, 2010, \$2,642 was accrued.

**Mason Creek Utility District**

Notes to Financial Statements, Continued

**Note 7: Capital Assets**

Capital asset activity of the District for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Intangible assets	\$ -	\$ 85,290	\$ -	\$ 85,290
Organization costs	1,184,021			1,184,021
Land	471,667			471,667
Buildings	511,006			511,006
Water system	7,238,858	19,115		7,257,973
Sewer system	4,375,341			4,375,341
Drainage system	3,827,772			3,827,772
Sewer plant contribution	1,357,067			1,357,067
Engineering fees	1,576,570			1,576,570
Community center	1,054,499	28,850		1,083,349
Recreational facility	-	92,502		92,502
Transportation equipment	40,769	36,827		77,596
Machinery and equipment	763,057	31,698	(18,322)	776,433
Furniture and equipment	<u>114,829</u>	<u>10,365</u>	<u>(125,194)</u>	<u>125,194</u>
Subtotal	<u>22,515,456</u>	<u>304,647</u>	<u>(18,322)</u>	<u>22,801,781</u>
Less Accumulated Depreciation:				
Intangible Assets	-	2,369	-	2,369
Organizational costs	805,134	23,681		828,815
Buildings	181,802	10,220		192,022
Water system	3,495,072	145,191		3,640,263
Sewer system	2,561,957	87,507		2,649,464
Drainage system	3,114,580	95,694		3,210,274
Sewer plant contribution	542,921	27,141		570,062
Engineering fees	898,603	31,504		930,107
Community center	468,346	54,047		522,393
Recreational facility	-	3,083		3,083
Transportation equipment	22,454	10,609		33,063
Machinery and equipment	464,433	24,825	(18,322)	470,936
Furniture and equipment	<u>75,145</u>	<u>4,404</u>	<u>(18,322)</u>	<u>79,549</u>
Subtotal	<u>12,630,447</u>	<u>520,275</u>	<u>(18,322)</u>	<u>13,132,400</u>
Net Capital Assets Being Depreciated	<u>9,885,009</u>	<u>(215,628)</u>	<u>(18,322)</u>	<u>9,669,381</u>
Governmental Activities Capital				
Total Capital Assets – Net of Depreciation	<u>\$ 9,885,009</u>	<u>\$ (215,628)</u>	<u>\$ (18,322)</u>	<u>\$ 9,669,381</u>

Depreciation and amortization expense was charged to the governmental statement of activities in the amount of \$494,225 and \$26,050, respectively.

**Mason Creek Utility District**  
Notes to Financial Statements, Continued

**Note 8: Pension Plan**

The District established a simplified employee pension plan (defined contribution) on December 13, 1995. The plan has a calendar year end and provides for a maximum contribution of 25% of wages for eligible employees. Employees at least 21 years of age and five months of service are eligible to participate and become fully vested at that time. For the calendar year 2009, contributions totaling \$9,358 were made. The District has not determined the amount of any contributions for calendar year 2010.

**Note 9: Maintenance and Operations Tax**

On September 15, 1999 the Board of Directors of the District passed a resolution authorizing a Maintenance Tax. During the year ended June 30, 2010, the District levied a Maintenance Tax of \$0.32400 per \$100 of valuation, which resulted in a tax roll of \$1,312,710 on all property subject to taxation within the District. This Maintenance Tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

**Note 10: Reconciliation of Government-Wide and Fund Financial Statements**

As explained in Note 2, the District implemented GASB No. 34 for the fiscal year ended June 30, 2003. The following adjustments were required to prepare the Statement of Net Assets.

Adjustments as of June 30, 2010:

Invested in capital assets, net of related debt	\$ 9,669,381
Eliminating fund balances	\$ 2,621,457

**Note 11: Commitments and Contingencies**

On January 8, 2003 the District executed an agreement between, the City of Houston and the District, which was effective as of the date countersigned by the City of Houston ("GRP Manager"). The agreement was countersigned on July 18, 2003 and is known as the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement For Regulatory Area 3 of the Harris-Galveston Costal Subsidence District," (the "Agreement"). The Agreement, which shall expire at noon on October 31, 2040, relates to a project for water to be supplied pursuant to this Agreement which must be derived primarily from surface water. By January 2030, groundwater withdrawals are to comprise no more than 20% of the pumper's total water demand. Complete financial commitments are not available as of the balance sheet date; however, the Agreement provides for monthly payments to the Ground Manager based on a predetermined formula. Pursuant to this formula, the GRP Manager expense for the year ended June 30, 2010 was \$294,290.

**Mason Creek Utility District**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2010**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Service fees, water	\$ 1,007,232	\$ 975,419	\$ 31,813
Service fees, sewer	657,470	632,266	25,204
Maintenance and operation taxes	1,280,305	1,552,532	(272,227)
Penalties and interest	31,214	31,319	(105)
Tap connection and inspection fees	14,828	17,978	(3,150)
Investment interest	54,671	93,070	(38,399)
Community center fees	85,154	78,020	7,134
Sales tax revenues	208,079	179,119	28,960
Others	<u>17,325</u>	<u>1,431</u>	<u>15,894</u>
	<u>3,356,278</u>	<u>3,561,154</u>	<u>(204,876)</u>
<b>Expenditures:</b>			
Service operations:			
Contracted services	1,322,113	1,326,265	4,152
Purchased sewer services	394,315	361,362	(32,953)
Payroll expenditures	189,023	179,100	(9,923)
Recurring operating expenses	477,852	501,649	23,797
Repair and maintenance	897,796	1,111,870	214,074
Professional fees	90,206	127,700	37,494
Director fees	21,750	22,000	250
Consumable supplies and materials	102,459	91,302	(11,157)
Capital expenditures	<u>304,647</u>	<u>912,500</u>	<u>607,853</u>
Total expenditures	<u>3,800,161</u>	<u>4,633,748</u>	<u>833,587</u>
Excess <deficit> of revenues over expenditures	(443,883)	(1,072,594)	628,711
<b>Fund balance:</b>			
Beginning of the year	<u>3,065,340</u>	<u>3,065,340</u>	-
End of year	<u>\$ 2,621,457</u>	<u>\$ 1,992,746</u>	<u>\$ 628,711</u>

**Mason Creek Utility District**  
**Service and Rates**  
**For Year Ended June 30, 2010**

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input checked="" type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Sewer	<input type="checkbox"/> Wholesale Sewer	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participate in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input checked="" type="checkbox"/> Other: <u>Street light utility costs</u>		

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter

Based on Rate Order Dated: 10/14/2009

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ <u>16.00</u>	<u>6,000</u>	<u>N</u>	\$ <u>1.00</u>	<u>6,001 to 10,000</u>
				\$ <u>1.40</u>	<u>10,001 to 20,000</u>
				\$ <u>1.45</u>	<u>20,001 to 30,000</u>
				\$ <u>1.60</u>	<u>30,001 to 50,000</u>
				\$ <u>1.75</u>	<u>50,001 to no limit</u>
WASTEWATER:	<u>13.00</u>	<u>6,000</u>	<u>N</u>	\$ <u>1.00</u>	<u>6,001 to 10,000</u>
				\$ <u>1.25</u>	<u>10,001 to no limit</u>

GROUND WATER REDUCTION

SURCHARGE: \$ 3.60 6,000 N \$ 0.60 6,001 to no limit

District employs winter averaging for wastewater usage?

Yes  No

TCEQ fee of .5%

Total charges per 10,000

gallons usage (including surcharges):

Water: \$26.13

Wastewater: \$17.08

**Mason Creek Utility District**  
**Service and Rates, Continued**  
**For Year Ended June 30, 2010**

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>5</u>	<u>1</u>	x 1.0	<u>1</u>
≤ 3/4"	<u>2,443</u>	<u>2,443</u>	x 1.0	<u>2,443</u>
1"	<u>12</u>	<u>10</u>	x 2.5	<u>25</u>
1 1/2"	<u>9</u>	<u>8</u>	x 5.0	<u>40</u>
2"	<u>21</u>	<u>21</u>	x 8.0	<u>168</u>
3"	<u>1</u>	<u>1</u>	x15.0	<u>15</u>
4"	<u>1</u>	<u>1</u>	x15.0	<u>15</u>
6"	<u>5</u>	<u>3</u>	x50.0	<u>150</u>
8"	<u>1</u>	<u>1</u>	x80.0	<u>80</u>
10"			x115.0	
Total Water	<u>2,498</u>	<u>2,489</u>	XXXX	<u>2,937</u>
Total Wastewater	<u>2,345</u>	<u>2,340</u>	x 1.0	<u>2,340</u>

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>469,314</u>
Gallons billed to customer:	<u>375,213</u>
Water Lost Ratio (Gallons billed/gallons pumped)	<u>80%</u>

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

Does the District have Debt Service standby fees? Yes \_\_\_\_\_ No X

If yes, Date of the most recent Commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes \_\_\_\_\_ No X

If yes, Date of the most recent Commission Order: \_\_\_\_\_

Mason Creek Utility District  
Service and Rates, Continued  
For Year Ended June 30, 2010

5. Location of District (Required for first audit year or when information changes, otherwise this information may be omitted):

County(ies) in which the District is located: Harris

Is the District located entirely within one county? Yes X No     

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

City(ies) in which the District is located: \_\_\_\_\_

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely X Partly      Not at all     

ETJ's in which the District is located: Houston

Are Board members appointed by an office outside the district? Yes      No X

If Yes, by whom? \_\_\_\_\_

**Mason Creek Utility District**  
**General Fund Expenditures**  
**For the Year Ended June 30, 2010**

Personnel (including benefits)	\$ 189,023
Professional Fees:	
Auditing	14,520
Legal	38,239
Engineering	36,033
Other	1,414
Purchased Services for Resale:	
Sewer Service Purchase	394,315
Trash Service Purchase	583,564
Contracted Services:	
District Operator	302,001
Ground Water Reduction	294,290
Pool Services	55,839
Other Contracted Services	51,932
Tax assessor / collector	34,487
Utilities	373,200
Repairs and Maintenance	897,796
Administrative Expenditures:	
Directors' Fees	21,750
Office Supplies	17,474
Insurance	42,656
Other Administrative Expenses	63,393
Capital Outlay:	
Capitalized Assets	304,647
Expenditures not capitalized	-
Solid Waste Disposal	-
Other Expenditures	83,588
TOTAL EXPENDITURES	\$ <u>3,800,161</u>
Number of persons employed by the District:	<u>2</u> Full-Time
(Does not include contractors or consultants)	<u>2</u> Part-Time

**Mason Creek Utility District**  
**Temporary Investments**  
**For the Year Ended June 30, 2010**

<u>Certificate Deposit Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2010</u>	<u>Accrued Interest Receivable at June 30, 2010</u>
<u>General Fund</u>				
81097495	3.26%	02-19-11	\$ 599,520	\$ 2,360
81096901	1.80%	07-18-10	608,182	2,281
81097016	1.80%	07-18-10	<u>271,854</u>	<u>1,019</u>
Total			\$ <u>1,479,556</u>	\$ <u>5,660</u>

**Mason Creek Utility District**  
**Taxes Levied and Receivable**  
**For Year Ended June 30, 2010**

	<u>Maintenance Taxes</u>
Taxes Receivable, Beginning of Year	\$1,348,235
2009 Original tax roll adjustments	(25,290)
2010 Original tax roll	1,315,000
Prior year tax roll adjustment	<u>(11,087)</u>
Total to be accounted for	<u>2,626,858</u>
Tax collections:	
Current year	1,299,597
Prior years	<u>(5,032)</u>
Total collections	1,294,565
Change in reserve for unavailable taxes	<u>(13,200)</u>
 Taxes Receivable, End of Year	 <u>\$1,319,093</u>
 Taxes Receivable, By Years:	
2010	\$1,315,000
2009	21,775
2008	5,166
2007	3,748
2006	2,734
2005	3,112
2004	2,008
2003	1,672
2002	-
2001	478
Reserve for unavailable taxes	<u>(36,600)</u>
Taxes Receivable, End of Year	<u>\$1,319,093</u>

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Property valuations:				
Land	\$122,876,135	\$ 118,095,940	\$103,851,490	\$ 81,655,377
Improvements	383,649,332	390,596,947	383,648,695	374,005,166
Personal property	<u>30,082,932</u>	<u>32,719,533</u>	<u>31,358,350</u>	<u>30,981,467</u>
Property Total Valuations	<u>\$536,608,399</u>	<u>\$ 541,412,420</u>	<u>\$518,858,535</u>	<u>\$486,642,010</u>
Tax Rates per \$100 Valuation:				
Debt service tax rates	\$ -	\$ -	\$ -	\$ -
Maintenance tax rates	<u>.324</u>	<u>.324</u>	<u>.324</u>	<u>.325</u>
Total tax rates	<u>\$ .324</u>	<u>\$ .324</u>	<u>\$ .324</u>	<u>\$ .325</u>
Original Tax Levy	<u>\$ 1,312,710</u>	<u>\$ 1,322,425</u>	<u>\$ 1,295,796</u>	<u>\$ 1,247,175</u>
Percent of total taxes collected to taxes levied	<u>98.3%</u>	<u>99.6%</u>	<u>99.7%</u>	<u>99.8%</u>
Maximum Tax Rate approved by voters:			<u>Unlimited</u>	on <u>5/01/1999</u>

**Mason Creek Utility District**  
**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES - GENERAL FUND AND**  
**DEBT SERVICE FUND - FIVE YEARS**  
**FOR THE YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007 and 2006**

	Amounts				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>GENERAL FUND REVENUES</b>					
Service fees water	800,953	\$797,868	\$695,604	\$611,032	\$737,230
Service fees sewer	657,470	636,343	547,398	468,869	557,221
Ground water reduction	206,279	179,765	169,236	166,180	207,396
Maintenance and operation tax	1,280,305	1,351,700	1,295,672	1,269,340	1,221,754
Sales tax collections	208,079	217,180	132,342	197,215	173,529
Others	725	2,318	589	1,147	516
Community center fees	85,154	83,675	75,070	57,035	54,630
Tap connection fees	14,828	17,819	18,514	20,837	18,364
Investment interest	54,671	103,810	131,559	130,711	77,220
Proceeds on sale of assets	16,600	-	-	540	-
Penalty and interest	31,214	27,686	15,838	14,218	16,900
<b>Total General Fund Revenues</b>	<u>3,356,278</u>	<u>3,418,164</u>	<u>3,081,822</u>	<u>2,937,124</u>	<u>3,064,760</u>
<b>GENERAL FUND EXPENDITURES</b>					
Purchased sewer services	394,315	353,239	340,297	336,546	356,006
Payroll expenditures	189,023	176,535	166,587	146,046	140,044
Professional fees	90,206	103,507	146,803	53,309	79,405
Contracted services	1,322,113	1,267,320	992,569	517,158	546,281
Repairs and maintenance	897,796	1,007,488	905,528	499,005	1,006,102
Recurring operating expense	477,852	472,346	460,158	462,243	434,041
Directors fees	21,750	21,100	19,650	20,600	16,900
Consumable supplies and materials	102,459	41,936	80,151	75,145	67,502
Capital expenditures	<u>304,647</u>	<u>23,383</u>	<u>220,662</u>	<u>296,740</u>	<u>118,478</u>
<b>Total General Fund Expenditures</b>	<u>3,800,161</u>	<u>3,466,854</u>	<u>3,332,405</u>	<u>2,406,792</u>	<u>2,764,759</u>
Revenues Over <Under> Expenditures	<u>\$ (443,883)</u>	<u>\$ (48,690)</u>	<u>\$ (250,583)</u>	<u>\$ 530,332</u>	<u>\$300,001</u>
<b>DEBT SERVICE FUND REVENUES</b>					
Tax revenues	\$ -	\$ -	\$ -	\$ 4,489	\$ 10,792
Penalty and interest	-	4,232	17,544	21,040	13,559
Investment interest	-	180	3,574	5,762	5,763
<b>Total Debt Service Revenues</b>	<u>-</u>	<u>4,412</u>	<u>21,118</u>	<u>31,291</u>	<u>30,114</u>
<b>DEBT SERVICE FUND EXPENDITURES</b>					
Tax collection expenditures	-	16,232	50,668	51,252	47,155
Debt service interest	-	-	-	-	-
Debt service principal	-	-	-	-	-
<b>Total Debt Service Expenditures</b>	<u>-</u>	<u>16,232</u>	<u>50,668</u>	<u>51,252</u>	<u>41,155</u>
Revenues (Under) Expenditures	<u>\$ -</u>	<u>\$ (11,820)</u>	<u>\$ (29,550)</u>	<u>\$ (19,961)</u>	<u>\$ (17,041)</u>
Number of retail water connections	2,498	2,497	2,492	2,489	2,485
Number of retail wastewater connections	2,345	2,345	2,341	2,346	2,343

**Mason Creek Utility District**  
**COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES - GENERAL FUND AND**  
**DEBT SERVICE FUND - FIVE YEARS, Continued**  
**FOR THE YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007 and 2006**

<u>Percent of Fund Total Revenue</u>				
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
23.9%	23.3%	22.6%	20.8%	24.1%
19.6	18.6	17.8	16.0	18.2
6.2	5.3	5.5	5.6	6.8
38.2	39.5	42.0	43.2	39.8
6.2	6.5	4.3	6.7	5.7
-	-	-	-	-
2.5	2.5	2.4	1.9	1.8
.4	.5	.6	.7	.6
1.6	3.0	4.3	4.6	2.5
.5	-	-	-	-
.9	.8	.5	.5	.5
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
11.7%	10.3%	11.0%	11.4%	11.6%
5.6	5.2	5.4	5.0	4.6
2.7	3.0	4.8	1.8	2.6
39.4	37.1	32.2	17.6	17.8
26.8	29.5	29.4	17.0	32.8
14.2	13.8	14.9	15.7	14.2
.6	.6	.6	.7	.5
3.1	1.2	2.6	2.6	2.2
9.1	.7	7.2	10.1	3.9
<u>113.2%</u>	<u>101.4%</u>	<u>108.1%</u>	<u>81.9%</u>	<u>90.2%</u>
<u>(13.2%)</u>	<u>(1.4%)</u>	<u>(8.1%)</u>	<u>18.1%</u>	<u>9.8%</u>
- %	- %	- %	14.4%	35.8%
-	95.9	83.1	67.2	45.1
-	<u>4.1</u>	<u>16.9</u>	<u>18.4</u>	<u>19.1</u>
- %	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
-	367.9%	239.9%	163.8%	156.6%
-	-	-	-	-
-	<u>(367.9%)</u>	<u>239.9%</u>	<u>163.8%</u>	<u>156.6%</u>
-	<u>(267.9%)</u>	<u>(139.9%)</u>	<u>(63.8%)</u>	<u>(56.6%)</u>

**Mason Creek Utility District**  
 Board Members, Key Administrative Personnel and Consultants  
 For the Year Ended June 30, 2010

Complete District Mailing Address: 847 Dominion, Katy, Texas 77450  
 District Business Telephone Number: (281) 578-9506

Submission Date of the most recent District Registration Form  
 (TWC Section 36.054 and 49.054) July 7, 2010

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200  
 (Set by Board Resolution – TWC Section 49.060)

<u>Name and Address:</u>	<u>Term of Office (Elected or Appointed or Date Hired)</u>	<u>Fees of Office Paid FYE June 30</u>	<u>Expense Reimburse- ments FYE June 30</u>	<u>Title at Year End</u>
<b>Board Members</b>				
Len Forsyth 1602 Hannington Katy, Texas 77450	(Elected) 5/06-5/10	\$7,200	\$2,734	President
James Hamblett, III 1146 Shillinton Katy, Texas 77450	(Elected) 5/08-5/12	\$5,400	\$ -0-	Vice President
Robert J. Wills 20214 Kings Camp Katy, Texas 77450	(Appointed) 6/07-5/10	\$2,550	\$ -0-	Director
Brian C. Connolly 20706 Sea Pine Rd Katy, Texas 77450	(Elected) 5/08-5/12	\$2,250	\$ -0-	Secretary/ Treasurer
John H. Cameron 1602 Hoveden Dr Katy, Texas 77450	(Elected) 5/08-5/12	\$4,350	\$1,596	Assistant Secretary/ Treasurer

**Mason Creek Utility District**  
**Board Members, Key Administrative Personnel**  
**And Consultants, Continued**  
**For the Year Ended June 30, 2010**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed or Date of Hire)</u>	<u>Fees of Office Paid FYE June 30</u>	<u>Title at Year End</u>
<u>Key Administrative Personnel</u>			
Donna Caldwell 847 Dominion Katy, Texas 77450	7/12/99	\$56,115	Office Manager
<u>Consultants</u>			
James Parrott Utility Operations, Inc. P.O. Box 1509 Sealy, Texas 77474	07/81	\$331,456	Operator
Bob Leared Interest 11111 Katy Freeway, Suite 725 Houston, Texas 77079	06/95	\$36,228	Tax Collector
Harris County Appraisal District	80's	\$10,711	Central Appraisal District
Marrou Hagen & Adkins, P.C. 524 E. Lamar Blvd., Suite 110 Arlington, Texas 76011	1976	\$15,661	Certified Public Accountants
James L. Dougherty 5177 Richmond Ave, Ste. 740 Houston, Texas 77056	08/84	\$45,160	Legal Counsel
Hal R. Gordon 5075 Westheimer, Suite 1190 Houston, Texas 77057	08/84	\$4,714	Delinquent Tax Attorneys

**Mason Creek Utility District**  
**Board Members, Key Administrative Personnel**  
**And Consultants, Continued**  
**For the Year Ended June 30, 2010**

<u>Name and Address</u>	<u>Term of Office (Elected or Appointed or Date of Hire)</u>	<u>Fees of Office Paid FYE June 30</u>	<u>Title at Year End</u>
Johnston, LLC 800 Wilcrest Drive Suite 150 Houston, Texas 77042	03/08	\$52,797	Engineer

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**APPENDIX B--Summary of Schedules Related to Continuing Disclosure of Information**

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the following headings or subheadings:

"DISTRICT DEBT– Debt Statement" and "--Estimated Overlapping Debt"

"TAX DATA– Tax Collection History," "--Analysis of Tax Base," "--Tax Rate Distribution,"  
"--Principal Taxpayers" and "--Estimated Overlapping Taxes"

"THE SYSTEM– Historical Operations of the General Fund "

"APPENDIX A– Financial Statements of the District"

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared, the Newspaper Representative at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and generally circulated in the Counties of: HARRIS, TRINTY, WALKER, GRIMES, POLK, SAN JACINTO, WASHINGTON, MONTGOMERY, LIBERTY, AUSTIN, WALLER, CHAMBERS, COLORADO, BRAZORIA, FORT BEND, GALVESTON, WHARTON, JACKSON, and MATAGORDA and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

---

BLITCH ASSOCIATES, INC    24931735    49246223  
 RAN A LEGAL NOTICE  
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*Pat Mackett*

NEWSPAPER REPRESENTATIVE

Sworn and subscribed to before me, this the 16th Day of June A.D. 2011



*Veronica M. Tyrone*

Notary Public in and for the State of Texas

NOTICE OF SALE  
MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

(A political subdivision of the State of Texas located in  
Harris County, Texas)

\$2,350,000

**UNLIMITED TAX BONDS, SERIES 2011**

"Qualified Tax-Exempt Obligations"

The Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") will publicly receive sealed bids on the \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), until 3:00 p.m. Houston time, Wednesday, June 29, 2011, at the offices of Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079. At a meeting to be held on Wednesday, June 29, 2011 at 7:30 p.m., Houston time, at the District's Office, 847 Dominion, Katy, Texas 77450, the Board of Directors of the District will thereupon either accept or reject the best bid.

Sealed bids, plainly marked "Bid for Bonds," should be addressed to the President and Board of Directors of the District and delivered to the offices of Blitch Associates, Inc., at the address noted above prior to 3:00 p.m., Houston time, Wednesday, June 29, 2011. All bids must be submitted on the "Official Bid Form" and accompanied by a bank Cashier's Check in the amount of \$47,000 payable to the order of the District as a Good Faith Deposit.

Bonds will mature serially on August 1, 2012 through August 1, 2031, both inclusive, and will be dated August 1, 2011. The "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form" may be obtained from the District's Financial Advisor, Bill Blitch, Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079-2118. The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell the Bonds will only be made by means of the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form."

Dated this June 17, 2011

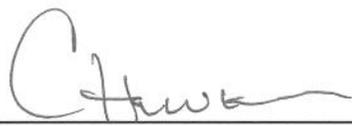
Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

X  
THE STATE OF TEXAS X  
X  
X  
COUNTY OF TRAVIS X  
X

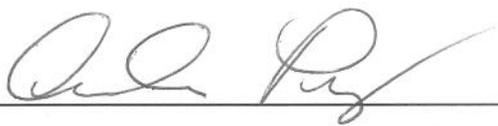
Before me, the undersigned authority, on this date personally appeared Charlotte Hawkins, who, having been by me duly sworn, upon her oath deposes and says;

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

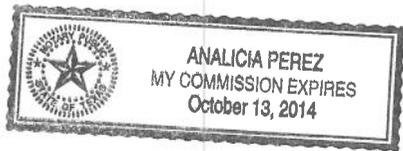
The attached is a true and correct copy of NOTICE OF SALE - MASON CREEK UD, \$2,350,000 U/L TAX BDS SER 2011 was published in the TEXAS BOND REPORTER on the following date(s), to wit: June 17, 2011.

  
\_\_\_\_\_

Sworn to and subscribed before me this the 17th day of June A.D. 2011

  
\_\_\_\_\_

Notary Public in and for the  
State of Texas  
My commission expires: 10-13-2014



NOTICE OF SALE

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

(A political subdivision of the State of Texas located in Harris County, Texas)

\$2,350,000  
UNLIMITED TAX BONDS, SERIES 2011

"Qualified Tax-Exempt Obligations"

The Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") will publicly receive sealed bids on the \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), until 3:00 p.m., Houston time, Wednesday, June 29, 2011, at the offices of Blich Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079. At a meeting to be held on Wednesday, June 29, 2011 at 7:30 p.m., Houston time, at the District's Office, 847 Dominion, Katy, Texas 77450, the Board of Directors of the District will thereupon either accept or reject the best bid.

Sealed bids, plainly marked "Bid for Bonds," should be addressed to the President and Board of Directors of the District and delivered to the offices of Blich Associates, Inc., at the address noted above prior to 3:00 p.m., Houston time, Wednesday, June 29, 2011. All bids must be submitted on the "Official Bid Form" and accompanied by a bank Cashier's Check in the amount of \$47,000 payable to the order of the District as a Good Faith Deposit.

Bonds will mature serially on August 1, 2012 through August 1, 2031, both inclusive, and will be dated August 1, 2011. The "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form" may be obtained from the District's Financial Advisor, Bill Blich, Blich Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079-2118. The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell the Bonds will only be made by means of the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form."

Dated this June 17, 2011

Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

LEGAL NOTICE

SUNFIELD MUNICIPAL UTILITY DISTRICT NO. 1  
(A Political Subdivision of the State of Texas  
Located within Hays and Travis Counties)

\$2,800,000  
UNLIMITED TAX ROAD BONDS  
SERIES 2011

Bids Submitted by: Wednesday, June, 29, 2011  
At 10:30 A.M., Austin, Texas Time

Bids Awarded: Wednesday, June 29, 2011  
At 11:30 A.M., Austin, Texas Time

**Place and Time of Sale:** The Board of Directors of Sunfield Municipal Utility District No. 1 will receive and award bids on Wednesday, June 29, 2011 at 11:30 A.M., Austin Time, at an official meeting place outside the boundaries of the District at 1101 S. Capital of Texas Highway, Suite D110, Austin, Texas 78746. Action will be taken immediately by the Board to accept or reject the bid that produces the lowest net interest cost to the District

**Address of Bids:** Bids, plainly marked "Bid for Bonds" should be addressed to the Board of Directors of Sunfield Municipal Utility District No. 1, at an official meeting place outside the boundaries of the District at 1101 S. Capital of Texas Highway, Suite D110, Austin, Texas 78746. All bids must be submitted on the "Official Bid Form" and accompanied by a Bank Cashier's Check in the amount of \$56,000 payable to the order of the District as a good faith deposit.

**Information:** The Bonds are more completely described in the "Official Notice of Sale" and the "Preliminary Official Statement" which may be obtained from RBC Capital Markets, LLC, 1001 Fannin, Suite 1200, Houston, Texas 77002, Financial Advisor to the District. The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the bonds will be made only by means of the "Official Notice of Sale," and the "Preliminary Official Statement," and the "Official Bid Form."

Board of Directors  
Sunfield Municipal Utility District No. 1

LEGAL NOTICE

**OFFICIAL BID FORM**

June 29, 2011

President and Board of Directors  
 Mason Creek Utility District  
 c/o Blich Associates, Inc.  
 11111 Katy Freeway, Suite 820  
 Houston, Texas 77079-2118

Gentlefolk:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Mason Creek Utility District of Harris County, Texas (the "District") relating to its \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the risk factors set forth in the Preliminary Official Statement dated May 25, 2011. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$2,286,915.10 (which represents 97.3155 % of the par value), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

<u>Due</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2012	\$85,000	<u>4.00</u> %	2022(a)	\$115,000	<u>3.300</u> %
2013	90,000	<u>4.00</u> %	2023(a)	120,000	<u>3.300</u> %
2014	90,000	<u>4.00</u> %	2024(a)	120,000	<u>3.600</u> %
2015	95,000	<u>4.00</u> %	2025(a)	125,000	<u>3.600</u> %
2016	95,000	<u>4.00</u> %	2026(a)	135,000	<u>3.875</u> %
2017	100,000	<u>4.00</u> %	2027(a)	140,000	<u>3.875</u> %
2018	100,000	<u>4.00</u> %	2028(a)	145,000	<u>4.125</u> %
2019	105,000	<u>4.00</u> %	2029(a)	150,000	<u>4.125</u> %
2020(a)	105,000	<u>3.00</u> %	2030(a)	160,000	<u>4.300</u> %
2021(a)	110,000	<u>3.00</u> %	2031(a)	165,000	<u>4.300</u> %

(a) The Bonds maturing on or after August 1, 2020 are subject to optional redemption on August 1, 2019, and on any date thereafter at par plus accrued interest.

At the option of the Underwriter, such serial maturities may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year. We hereby designate the following as term bonds ("Term Bonds") with mandatory sinking fund redemptions:

<u>Term Bonds</u> <u>Maturity Date</u> <u>(August 1)</u>	<u>Year of First</u> <u>Mandatory</u> <u>Redemption</u>	<u>Principal</u> <u>Amount of</u> <u>Term Bonds</u>	<u>Interest</u> <u>Rate</u>
20 <u>21</u>	20 <u>20</u>	\$ <u>215,000</u>	<u>3.000</u> %
20 <u>23</u>	20 <u>22</u>	\$ <u>235,000</u>	<u>3.300</u> %
20 <u>25</u>	20 <u>24</u>	\$ <u>245,000</u>	<u>3.600</u> %
20 <u>27</u>	20 <u>26</u>	\$ <u>275,000</u>	<u>3.875</u> %
20 <u>29</u>	20 <u>28</u>	\$ <u>295,000</u>	<u>4.125</u> %
20 <u>31</u>	20 <u>30</u>	\$ <u>325,000</u>	<u>4.300</u> %
20 _____	20 _____	\$ _____	_____ %

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

Total Interest Cost from August 1, 2011	\$ 1,061,920.00
Plus: Dollar Amount of Discount (Or Less: Dollar Amount of Premium)	\$ 63,084.90
NET INTEREST COST	\$ 1,125,004.90
NET EFFECTIVE INTEREST RATE	4.111860 %

The Initial Bonds shall be registered in the name of Sterne, Agee & Leach (syndicate manager). We will advise the corporate trust office of Wells Fargo Bank, N.A., Houston, Texas, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery.

We will require \_\_\_\_\_ copies of the final Official Statement for dissemination to potential purchasers of the Bonds. By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Underwriter described therein, as contemplated by Rule 15c2-12 of the Securities and Exchange Commission.

Cashiers Check No. \_\_\_\_\_ Issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, and payable to your order in the amount of \$47,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with such terms and conditions, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Underwriter uncashed on the date of delivery of the Bonds and payment of the purchase price thereof by the Underwriter.

We agree to accept delivery of and make payment for the Initial Bonds in immediately available funds at the corporate trust office of Wells Fargo Bank, N.A., Houston, Texas, not later than 10:00 A.M., Houston Time, on August 10, 2011, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. In addition, in the event all of the Bonds are not sold to ultimate customers prior to the date of delivery of the Bonds, we will so notify the District on such date.

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,  
Sterne Agee & Leach

By: [Signature]  
Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Mason Creek Utility District of Harris County, Texas, this 29<sup>th</sup> day of June, 2011.

ATTEST:  
[Signature]  
Secretary, Board of Directors

[Signature]  
President, Board of Directors

The following sets forth the debt service requirements on the Bonds, assuming 5.00% interest rate:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total D/S Requirements</u>
2012	\$85,000	\$117,500	\$202,500
2013	90,000	113,250	203,250
2014	90,000	108,750	198,750
2015	95,000	104,250	199,250
2016	95,000	99,500	194,500
2017	100,000	94,750	194,750
2018	100,000	89,750	189,750
2019	105,000	84,750	189,750
2020	105,000	79,500	184,500
2021	110,000	74,250	184,250
2022	115,000	68,750	183,750
2023	120,000	63,000	183,000
2024	120,000	57,000	177,000
2025	125,000	51,000	176,000
2026	135,000	44,750	179,750
2027	140,000	38,000	178,000
2028	145,000	31,000	176,000
2029	150,000	23,750	173,750
2030	160,000	16,250	176,250
2031	<u>165,000</u>	<u>8,250</u>	<u>173,250</u>
	<u>\$2,350,000</u>	<u>\$1,368,000</u>	<u>\$3,718,000</u>

Estimated Average Annual Requirements (2012/2031)	\$185,900
Estimated Maximum Annual Requirement (2013)	\$203,250

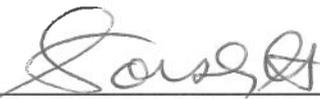
*Note: Totals may not add due to rounding.*

**APPROPRIATION CERTIFICATE**

**STATE OF TEXAS**                   §  
   §  
**COUNTY OF HARRIS**           §

I, the undersigned, being the President of the Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District"), do hereby make and execute this certificate for the benefit of the Attorney General of Texas and all other persons interested in the District's \$2,350,000 Unlimited Tax Bonds, Series 2011, initially dated as of August 1, 2011 (the "Bonds"), now in the process of issuance and delivery, and I certify that the District will deposit 12 months of capitalized interest from the proceeds of sale of the Bonds into the District's Debt Service Fund for payment of the year 2012 debt service obligations on the Bonds and further, the District will levy taxes in 2011 which will produce adequate funds along with the District's aforementioned capitalized interest to pay all debt service payments for the calendar year 2012 on the Bonds, and that there are no debt service payments due on the Bonds in the current calendar year.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THE DISTRICT, this 29th day of June, 2011.

  
\_\_\_\_\_  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

(SEAL)

## PAYING AGENT AND REGISTRAR AGREEMENT

THIS PAYING AGENT AND REGISTRAR AGREEMENT dated as of this 29<sup>th</sup> day of June, 2011 (the "Agreement") is by and between Mason Creek Utility District of Harris County, Texas (the "Issuer") and Wells Fargo Bank, National Association (the "Bank").

### RECITALS OF THE ISSUER

The governing body of the Issuer adopted a resolution on June 29, 2011 (the "Resolution") authorizing and providing for the issuance of its Unlimited Tax Bonds, Series 2011 dated August 1, 2011, in the aggregate principal amount of \$2,350,000.00 the "Bonds"), such Bonds to be issued in fully registered form, without coupons.

The Issuer has delivered a true and correct copy of the Resolution to the Bank;

The Bonds are scheduled to be delivered to the initial purchasers of the Bonds on or about August 10, 2011;

All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer has requested that the Bank serve as Paying Agent of the Issuer in paying the principal, premium (if any) and interest on the Bonds in accordance with the terms thereof and that the Bank act as Registrar for the Bonds; and

The Issuer has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

### ARTICLE ONE

#### APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

##### Section 1.01. Appointment.

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Bonds. As Paying Agent for the Bonds, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Bonds as the same become due and payable to the registered owners thereof, pursuant to the terms of this Agreement and the Resolution.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of the Bonds and the transfer and exchange thereof pursuant to the terms of this Agreement and the Resolution.

The Bank hereby accepts such appointments and agrees to serve as the Paying Agent and Registrar for the Bonds.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and, thereafter, in accordance with the Bank's fee schedule in effect when such services are performed. In addition, the Issuer agrees to reimburse the Bank for all reasonable expenses, disbursements and advances incurred or made by the Bank in connection with this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Bond means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Bond which has become accelerated pursuant to the terms of the Bond.

"Bank Office" means the corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

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

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

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

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

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

“Stated Maturity” means the date specified in the Resolution the principal of a Bond is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms “Bank,” “Issuer,” and “Bonds (Bond)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of and premium (if any), on each Bond at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Bond to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Bond when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Bonds (or their Predecessor Bonds) on the respective Record Date, to the address appearing on the Bond Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder’s risk and expense.

Section 3.02. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal of, premium (if any), and interest on the Bonds on the dates specified in the Resolution. The Issuer agrees to transfer or cause to be transferred to the Bank by no later than 10:00 a.m. Central Time on the business day immediately preceding the payment dates, immediately available funds in the amounts sufficient to pay principal, premium, and/or interest when due.

ARTICLE FOUR

REGISTRAR

Section 4.01. Bond Register – Transfers and Exchanges.

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the “Bond Register”) for recording the names and addresses of the Holders of the Bonds, the transfer, exchange, and replacement of the Bonds, and the payment of the principal of and interest on the Bonds to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Bonds shall be noted in the Bond Register.

Every Bond surrendered to the Bank for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Bonds Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing. The Bank may request any supporting documentation it feels necessary to effect a registration, transfer or exchange of the Bonds. To the extent possible and under reasonable circumstances, the Bank agrees that, in connection with an exchange or transfer of Bonds, the exchange or transfer will be completed and new Bonds delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Bonds to be canceled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. Bonds.

At any time when the Bonds are not subject to a book-entry-only system of registration and transfer, the Issuer shall provide an adequate inventory of printed Bonds to facilitate transfer or exchanges thereof. The Bank covenants that the inventory of printed Bonds will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Bonds in safekeeping.

Section 4.03. Form of Bond Register.

The Bank as Registrar will maintain the Bond Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain the Bond Register in any form other than those currently available and used by the Bank at the time. The Bond Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Bondholders.

The Bank will provide a copy of the information contained in the Bond Register to the Issuer upon request and upon payment of any applicable fee. The Issuer may also inspect the information contained in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form. The Bank will not release or disclose the contents of the Bond Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order or as otherwise required by law. Upon receipt of a subpoena or court order and prior to the release or disclosure of the contents of the Bond Register, the Bank will notify the Issuer so that the Issuer may contest the subpoena or court order or such release or disclosure of the contents of the Bond Register.

Section 4.05. Canceled Bonds.

The Bank will, at such intervals as it determines, cancel and destroy, pursuant to the Securities Exchange Act of 1934, all Bonds in lieu of which or in exchange for which other Bonds have been issued, or which have been paid. The Paying Agent shall retain and destroy canceled and matured Bonds upon expiration of the appropriate retention period.

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

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Resolution, to deliver and issue Bonds in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds as long as the same does not result in an over-issuance. In case any Bond shall be mutilated, destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and in substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Bond and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, destroyed, lost or stolen.

Section 4.07. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Bonds it has paid pursuant to Section 3.01, Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Section 4.01, and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds pursuant to Section 4.06.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Paying Agent.

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

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

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

Section 5.02. Reliance on Documents, Etc.

(a) The Bank shall have no liability or responsibility for any statement made by the Issuer or any other person in connection with the issuance of the Bonds, or for the use or application of any money received by the Issuer in connection with the Bonds.

(b) The Bank may rely upon any instructions provided to it by the Issuer, or upon any advice or instructions provided to it by bond counsel or its own counsel (including its own in-house counsel), in connection with its duties and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with such instructions or advice. The Bank shall be entitled to rely upon and shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(e) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

(f) The Bank shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement, and no covenant or obligation shall be implied in this Agreement against the Bank.

(g) The Bank shall use its best efforts to perform its obligations hereunder, including the timely taking of action as required hereunder, provided, however, that the Bank shall not be liable for its failure to meet such deadlines, except such failure as shall result from its gross negligence or willful misconduct.

(h) The Bank shall not be liable for any loss or damage, including reasonable counsel fees and expenses, resulting from its actions or omissions to act hereunder, except for any loss or damage arising out of its own gross negligence or willful misconduct. IN NO EVENT SHALL THE BANK BE LIABLE FOR SPECIAL, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE BANK HAS BEEN ADVISED OF THE LIKELIHOOD OF SUCH LOSS OR DAMAGE AND REGARDLESS OF THE FORM OF ACTION.

Section 5.03. Recitals of Issuer.

The recitals contained herein with respect to the Issuer and the recitals in the Bonds shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness. The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Bond, or any other Person for any amount due on any Bond from its own funds.

Section 5.04. May Hold Bonds.

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

Section 5.05. Moneys Held by Bank.

The Bank shall be under no duty or obligation to invest any funds deposited with it by the Issuer and will not be required to pay any interest on such funds. Any unclaimed funds held by the Bank will be escheated in accordance with applicable law.

Section 5.06. Indemnification.

The Issuer agrees to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or removal of the Paying Agent/Registrar and the termination of this Agreement.

Section 5.07. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where either the Bank Office or the administrative offices of the Issuer are located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to interplead all of the assets held hereunder into a court of competent jurisdiction to determine the rights of any Person claiming any interest herein.

Section 5.08. Depository Trust Company Services.

In the event the Bonds are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements,” effective from time to time, which establish requirements for bonds to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Section 5.09. Tax Reporting.

To the extent required by the Internal Revenue Code of 1986, as amended, and the regulations promulgated and pertaining thereto, it shall be the duty of the Bank, on behalf of the Issuer, to report to the Holders and the Internal Revenue Service (i) the amount of “reportable payments,” if any, subject to backup withholding during each year and the amount of tax withheld, if any, with respect to payments of the Bonds and (ii) the amount of interest or amount treated as interest on the Bonds and required to be included in gross income of the Holder.

## ARTICLE SIX

### MISCELLANEOUS PROVISIONS

#### Section 6.01. Amendment.

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

#### Section 6.02. Assignment.

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

#### Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

#### Section 6.04. Headings.

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

#### Section 6.05. Successors and Assigns.

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

#### Section 6.06. Severability.

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

Section 6.07. Benefits of Agreement.

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

Section 6.08. Entire Agreement.

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

Section 6.09. Counterparts.

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

Section 6.10. Termination.

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Bonds to the Holders thereof or (ii) may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Bonds of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Bonds.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Bond Register (or a copy thereof) together with other pertinent books and records relating to the Bonds, to the successor Paying Agent/Registrar designated and appointed by the Issuer. The provisions of Section 1.02 and Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law.

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

Section 6.12. Force Majeure.

In no event shall the Bank be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Bank's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws,

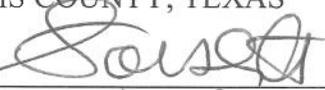
ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement, inability to obtain material, equipment, or communications or computer facilities, or the failure of equipment or interruption of communications or computer facilities, and other causes beyond the Bank's control whether or not of the same class or kind as specifically named above.

[The remainder of the page is intentionally left blank.]

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

**ISSUER**

MASON CREEK UTILITY DISTRICT OF  
HARRIS COUNTY, TEXAS

By 

Printed Name Len Forsyth

Title President, Board of Directors

[ADDRESS] 847 Dominion  
Katy, Tx 77450

WELLS FARGO BANK,  
NATIONAL ASSOCIATION

By   
Printed Name Kathleen Wagner  
Title Vice-President

[ADDRESS]

WELLS FARGO BANK, N.A.  
CORPORATE TRUST DEPARTMENT™  
201 MAIN STREET, SUITE 301  
FORT WORTH, TX 76102

May 25, 2011

Greg Stites, Vice President  
Wells Fargo Bank  
Corporate Trust Services  
400 W. 15<sup>th</sup> Street, Ste.150  
Austin, Texas 78701  
Tel: 512.344.8640  
[greg.l.stites@wellsfargo.com](mailto:greg.l.stites@wellsfargo.com)



**Fee Proposal for Paying Agent & Registrar Services**

**\$2,350,000**  
**Mason Creek Utility District**  
**Unlimited Tax Bonds, Series 2011**

**Acceptance Fee**

**WAIVED**

Initial Fees as they relate to Wells Fargo Bank acting in the capacity of Paying Agent/Registrar – includes creation and examination of the Paying Agent/Registrar Agreement; acceptance of the appointment; setting up of Paying Agent/Registrar records and accounting records; and coordination of closing. The Acceptance Fee is payable at time of Paying Agent/Registrar Agreement execution.

**Paying Agent Annual Administration Fee**

**\$550.00**

For ordinary administration services by Paying Agent/Registrar – includes daily routine account management; cash transaction processing in accordance with the agreement; and mailing of trust account statements to all applicable parties. Float credit received by the bank for receiving funds that remain un-invested are deemed part of the Paying Agent's compensation. The Annual Administration fees are payable in advance, with the first installment due at closing.

**Out-of-Pocket Expenses**

We only charge for out of pocket expenses in response to specific tasks assigned by the client. Therefore, we cannot anticipate what specific out of pocket items will be needed or what corresponding expenses will be incurred. Possible expenses would be, but are not limited to, tax reporting, establishment of trust accounts, express mail and messenger charges, travel expenses to attend closing or other meetings. There are no charges for indirect out of pocket expenses.

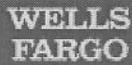
*This fee schedule is based upon the assumptions listed above which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role of Paying Agent/Registrar. These assumptions are based on information provided to us as of the date of this fee schedule. Our fee schedule is subject to review and acceptance of the final documents. Should any of the assumptions, duties or responsibilities change, we reserve the right to affirm, modify or rescind our fee schedule.*

**Contact Information:**

**Kathleen Wagner**  
**Vice President & Trust Officer**  
Wells Fargo Bank, National Association  
201 Main Street, Suite 301  
MAC T5441-030  
Fort Worth, TX 76102  
817.334.7068 Office  
817.885.8650 Fax  
[kathleen.r.wagner@wellsfargo.com](mailto:kathleen.r.wagner@wellsfargo.com)

PAR#C654518





I, Patricia Martirano, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America (the "Bank"), hereby certify that:

The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and that no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate, and that the resolutions remain in full force and effect on the date hereof:

**RESOLVED**, that agreements, instruments, or other documents, including amendments and modifications thereto, relating to or affecting the property or business and affairs of the Bank, whether acting for its own account or in a fiduciary or other representative capacity, may be executed in its name by the persons hereinafter authorized;

**FURTHER RESOLVED**, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;

A. Executive Officers

**FURTHER RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President and any Executive Officer of the Bank, acting alone, may execute agreements, guaranties, instruments or other documents which such officer may deem necessary, proper or expedient to the conduct of the business of the Bank;

B. Vice Presidents and Above

**FURTHER RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President and any Vice President, acting alone, may execute on behalf of the Bank:

Deeds, leases, assignments, bills of sale, purchase agreements and other instruments of conveyance to purchase, sell, lease or sublease to or from a third party real property, or any interest therein, for the Bank's own account; provided, however, that such agreements, instruments and other documents may also be signed as hereinafter provided with respect to real property acquired by the Bank in connection with collateral for a loan.

Bonds of indemnity and powers of attorney; provided, however, that proxies to vote stock in a corporation or to vote other interests in other legal entities and stock and bond powers may also be signed as hereinafter provided.

C. Signing Officers

**FURTHER RESOLVED**, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:

\* \* \*

Receipts for any funds or other property paid or delivered to the Bank.

Guaranties of signatures, whether appearing as endorsements of bonds, certificates of stock, or other securities, including without limitation medallion guaranties provided in connection with a medallion stamp, or otherwise.

\* \* \*

Agreements and proposals to provide services to or receive services from third parties.

\* \* \*

Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

\* \* \*

**FURTHER RESOLVED**, that the signature of the Secretary or of any Assistant Secretary of the Bank shall be required to certify any resolution adopted by the Board of Directors of the Bank or any committee thereof, the incumbency, title or signature of any officer of the Bank and any designation of authority under these resolutions or otherwise, and the Secretary or any Assistant Secretary of the Bank may also certify any records or other documents created in the ordinary course of the business of the Bank.

I further certify that on the date below, the following named persons were duly appointed, qualified and acting Signing Officers of Wells Fargo Bank, N.A., that their correct title

and genuine signature appears beside their name, and that on said date they were duly authorized to act on behalf of the Bank as set forth in the foregoing resolution:

Name	Title	Signature
Patrick Giordano	Vice President	_____
Greg Hasty	Vice President	_____
Sandra Jones	Vice President	_____
Camilla J. Lindsey	Vice President	_____
Sherri H. Owen	Vice President	_____
Amy C. Perkins	Vice President	_____
Dayna Smith	Assistant Vice President	_____
Greg L. Stites	Vice President	_____
John C. Stohlmann	Vice President	_____
Amy C. Perkins	Vice President	_____
Greg L. Stites	Vice President	_____
John C. Stohlmann	Vice President	_____
Kathleen Wagner	Vice President	_____
Kushina White	Assistant Vice President	_____

IN WITNESS WHEREOF, I have hereunto signed my name this June 29, 2011.



\_\_\_\_\_  
Assistant Secretary

\*\*\* Redacted [Indicates portions of the resolutions have intentionally been omitted because the sections are not relevant to the transaction for which this certification has been requested.]

**CERTIFICATE OF RESOLUTION**

**STATE OF TEXAS           §**

**COUNTY OF HARRIS       §**

We, the undersigned officers of the Board of Directors of Mason Creek Utility District of Harris County, Texas, hereby certify as follows:

1. The Board of Directors of Mason Creek Utility District of Harris County, Texas, convened in Special Session, on the 29th day of June, 2011 at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Assistant Secretary/Treasurer
Robert J. Wills	Director

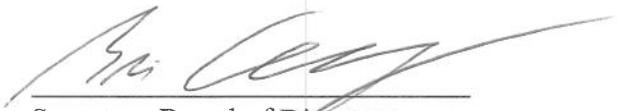
and all of said persons were present, excepting Director Wills, thus constituting a quorum. Whereupon, among other business, the following measure, to-wit:

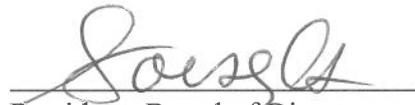
**RESOLUTION COVENANTING TO LEVY TAX**

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

2. That a true, full and correct copy of the aforesaid measure adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that the measure has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the measure would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended by the Texas Water Code.

SIGNED AND SEALED this the 29<sup>th</sup> day of June, 2011.

  
Secretary Board of Directors  
(SEAL)

  
President, Board of Directors

**RESOLUTION COVENANTING TO LEVY TAX**

**STATE OF TEXAS**                    §  
   §  
**COUNTY OF HARRIS**           §

WHEREAS, the Texas Commission on Environmental Quality ("Commission") met in regular session on May 23, 2011 and determined by Order to approve the Commission's Districts Section's staff memorandum and recommendations and the District's Engineering Project and \$2,350,000 Unlimited Tax Bond Issue; and

WHEREAS, the Districts Section memorandum contained a recommendation that the District establish a 2011 bond tax rate of not less than \$0.050 per \$100 assessed valuation; and

WHEREAS, the District desires to sell its \$2,350,000 Unlimited Tax Bonds, Series 2011 approved by the Commission; and

WHEREAS, the District desires to levy a tax in compliance with the Commission's Order; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, THAT:

Section 1: The matters and facts stated in the preamble of this resolution are hereby found to be true and correct.

Section 2: The District covenants to levy a tax for debt service on the District's bonds in 2011 of not less than \$0.050 per \$100 assessed valuation unless Commission approves a lesser debt service tax rate.

PASSED AND APPROVED this the 29<sup>th</sup> day of June, 2011.

MASON CREEK UTILITY DISTRICT

/s/ Len Forsyth  
President, Board of Directors

ATTEST:

Brian C. Connolly  
Secretary, Board of Directors  
(SEAL)



500 North Akard Street  
Lincoln Plaza, Suite 3200  
Dallas, TX 75201  
tel (214) 871-1400  
reference no.: 1176015

June 23, 2011

Mason Creek Utility District  
847 Dominion  
Katy, TX 77450  
Attention: Ms. Donna Caldwell

Re: ***US\$2,350,000 Mason Creek Utility District of Harris County, Texas, Unlimited Tax Bonds, Series 2011, dated: August 1, 2011, due: August 1, 2031***

Dear Ms. Caldwell:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

Ms. Donna Caldwell

Page 2

June 23, 2011

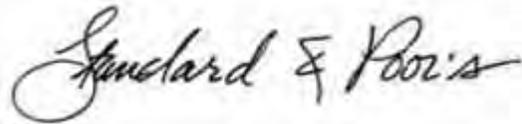
CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If we can be of help in any other way, please call or contact us at [nypublicfinance@standardandpoors.com](mailto:nypublicfinance@standardandpoors.com). Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

A handwritten signature in cursive script that reads "Standard & Poor's". The signature is written in black ink on a light-colored background.

Standard & Poor's Ratings Services  
a Standard & Poor's Financial Services LLC business.

cm

enclosures

cc: Mr. Bill Blich, Managing Director  
Blich Associates, Inc.

**Standard & Poor's Ratings Services  
Terms and Conditions Applicable To Public Finance Ratings**

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential". Notwithstanding the foregoing, information disclosed by you or your agents or advisors

to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or

assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

**Entire Agreement.** Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

**Limitation on Damages.** Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US\$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

**Termination of Agreement.** This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

**No Third-Party Beneficiaries.** Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

**Binding Effect.** This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

**Severability.** In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

**Amendments.** This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.

BOB LEARED INTERESTS  
11111 Katy Freeway, Suite 725  
Houston, Texas 77079

LETTER OF REPRESENTATION

June 29, 2011

Mason Creek Utility District  
c/o Mr. Michael A. Cole, P.C.  
5120 Bayard Lane  
Houston, Texas 77006-6512

Mr. James L. Dougherty, Jr.  
Attorney at Law  
12 Greenway Plaza, Suite 1100  
Houston, Texas 77046-1201

Mr. Bill Blich  
Blich Associates, Inc.  
1111 Katy Freeway, Suite 820  
Houston, Texas 77079-2118

Ladies and Gentlemen:

In connection with the issuance and sale by Mason Creek Utility District (the "Issuer") of its \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Bonds"), the Issuer has, among other things, participated in the preparation of a Preliminary Official Statement and an Official Statement to be distributed to prospective purchasers and the successful initial purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "*Official Statement*." I am the Tax Assessor/Collector for the Issuer and am executing and delivering this Letter of Representation to make the agreements stated herein and to acknowledge your reliance as to certain information necessary to the preparation of the Official Statement and provided by me, as more fully described below.

1. I hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. I represent and warrant that the information contained in the Official Statement specified in Exhibit "A" attached hereto is true and correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of circumstances under which they are made, not misleading. Unless I have notified you in writing to the contrary prior to the date of actual delivery of the Bonds to the purchasers thereof against payment therefor (the "*Closing Date*"), you may rely on such information to be true and correct through the period from the date of this

letter to and including the Closing Date. In addition, for a period of 90 days after the Closing Date, I agree promptly to advise you in writing of any facts which would require material corrections or additions to such information and of which I become aware during such period.

3. I have also generally reviewed the information in the Official Statement. I cannot make any representation to you as to accuracy or completeness of statements of fact contained in such other information, nor have I made any investigation as to the accuracy or completeness of such other information. Nothing, however, has come to my attention that would lead me to believe the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. I consent to the use of my name in the Official Statement, particularly in the section entitled "PREPARATION OF OFFICIAL STATEMENT — Consultants" and as described therein.

5. I agree that to the best of my ability, I will inform the Issuer immediately should I learn of any event(s) or information of which the Issuer is not aware subsequent to the date of this letter and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

6. This Letter of Representation is made solely for the your benefit and the benefit of the members of the board of directors of the Issuer and no other person, including any persons who purchase the Bonds, shall acquire or have any right hereunder or by virtue hereof.

Sincerely,

BOB LEARED INTERESTS

By: 

Title: Tax Assessor/Collector

Date: June 29, 2011

Attachment

## EXHIBIT "A"

The information contained in the Official Statement under the following captions:

1. THE DISTRICT
  - Management of the District – Tax Assessor/Collector
2. DISTRICT DEBT
  - Debt Statement
  - Estimated Overlapping Debt
3. TAX PROCEDURES
  - Authority to Levy Taxes
  - Exempt Property
  - Appraisal of Taxable Property
  - Assessment and Levy
  - Collection
4. TAX DATA
  - Tax Collection History
  - Analysis of Tax Base
  - Principal Taxpayers
  - Strategic Partnership Agreement – Limited Purpose Annexation by the City of Houston
5. RISK FACTORS
  - Maximum Impact of District Rates
  - Overlapping Tax Rates
  - Tax Collection Limitation
6. PREPARATION OF OFFICIAL STATEMENT
  - Consultants

JOHNSTON LLC  
800 Wilcrest, Suite 150  
Houston, Texas 77042-1454

LETTER OF REPRESENTATION

June 29, 2011

Mason Creek Utility District  
c/o Mr. Michael A. Cole, P.C.  
5120 Bayard Lane  
Houston, Texas 77006-6512

Mr. James L. Dougherty, Jr.  
Attorney at Law  
12 Greenway Plaza, Suite 1100  
Houston, Texas 77046-1201

Mr. Bill Blich  
Blich Associates, Inc.  
1111 Katy Freeway, Suite 820  
Houston, Texas 77079-2118

Ladies and Gentlemen:

In connection with the issuance and sale by Mason Creek Utility District (the "Issuer") of its \$2,350,000 (the "Bonds"), the Issuer has, among other things, participated in the preparation of a Preliminary Official Statement and an Official Statement to be distributed to prospective purchasers of the Bonds. Such documents, as amended or supplemented from time to time, are hereinafter referred to as the "Official Statement." As the consulting engineer for the Issuer in connection with the Bonds, we are familiar with the planning of all water, sewer, and drainage facilities by the Issuer. We are executing and delivering this Letter of Representation to make the agreements stated herein and to acknowledge your reliance as to certain information necessary to the preparation of the Official Statement and provided by us, as more fully described below.

1. We hereby acknowledge receipt of a copy of the Official Statement and hereby approve the distribution thereof.

2. We represent and warrant that the information contained in the Official Statement concerning the undersigned specified in Exhibit "A" attached hereto is true and

correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of circumstances under which they are made, not misleading. Unless we have notified you in writing to the contrary prior to the date of actual delivery of the Bonds to the purchasers thereof against payment therefor (the "Closing Date"), you may rely on such information to be true and correct through the period from the date of this letter to and including the Closing Date. In addition, for a period of 90 days after the Closing Date, we agree promptly to advise you in writing of any facts which would require material corrections or additions to such information and of which we become aware during such period.

3. We consent to the use of our name in the Official Statement, particularly in the section entitled "PREPARATION OF OFFICIAL STATEMENT — Consultants."

4. Our representatives have generally reviewed the Official Statement. In the course of such conferences and review, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue or misleading statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, although, except as to the information described in paragraph 2 above, we assume no responsibility to you to undertake to verify such information.

5. This Letter of Representation is made solely for your benefit and the benefit of the members of the board of directors of the Issuer and no other person, partnership, association, corporation, or political subdivision, including but without limitation any persons who purchase the Bonds, shall acquire or have any right hereunder or by virtue hereof.

6. The undersigned hereby represents that he or she is authorized to execute this Letter of Representation on behalf of the Engineer.



Sincerely,

JOHNSTON LLC

By: Dinh Ho, P.E.

Title: Engineer

Date: 6/24/11

Attachment

## EXHIBIT "A"

The information relating to (a) the physical characteristics of land within the Issuer and its water supply, sanitary sewer, and drainage system, and (b) our firm contained in the Official Statement under the following captions:

1. THE DISTRICT
  - Authority, Purpose and Function
  - Description and Location
  - Management of the District – Engineer
2. THE SYSTEM
  - Regulation
  - Description of the System
3. RISK FACTORS
  - Potential Conversion to Surface Water
4. PREPARATION OF OFFICIAL STATEMENT
  - Consultants



Member American Institute of Certified Public Accountants & Texas Society of Certified Public Accountants

June 29, 2011

Mason Creek Utility District  
c/o Mr. Michael A. Cole, P.C.  
5120 Bayard Lane  
Houston, Texas 77006-6512

Mr. James L. Dougherty, Jr.,  
Attorney at Law  
12 Greenway Plaza, Suite 1100  
Houston, Texas 77046-1201

Mr. Bill Blitch  
Blitch Associates, Inc.  
1111 Katy Freeway, Suite 820  
Houston, Texas 77079-2118

Ladies and Gentlemen:

We are the independent certified public accountants for Mason creek Utility District (the "Issuer") and, as such, furnished our opinion on the Issuer's general purpose financial statements as June 30, 2010 and for the year then ended, which opinion is included as APPENDIX A to the Official Statement related to the Issuer's \$2,350,000 Unlimited Tax Bonds. We hereby consent to the reproduction of such financial statements in the Official Statement.

Sincerely,

Marrou Hagen & Adkins, P.C.

By: Dennis Marrou

Title: President

Date: 6-29-11

**OFFICE OF THE ATTORNEY GENERAL  
PUBLIC FINANCE DIVISION**

**Additional Transcript Requirements  
Pursuant to HB 1564  
[§3.002(h) of ARTICLE 717k-8, V.A.T.C.S.]**

The following information is to be included in the transcript submitted to the Office of the Attorney General for the purpose of obtaining Attorney General approval of the issuance of bonds or other obligations. This information has been designated by the Bond Review Board as that to be collected pursuant to HB 1564, 74th Legislature, Regular Session (Tex. Laws 1995, ch. 383, at 2930).

**A. An additional copy of the Final Official Statement and the following information, if not included in the Final Official Statement or such statement has not been prepared.**

1. Name of Bond Issue: Mason Creek Utility District \$2,350,000 Unlimited Tax Bonds, Series 2011
2. a. Par Amount: \$2,350,000  
b. Dollar Amount of Bond Premium, if any: None  
c. Dollar Amount of Bond Original Issue Discount, if any: 63,048.90
3. Dated Date: August 1, 2011
4. Closing Date (expected delivery date, on or about): August 10, 2011
5. Maturity Dates, Maturity Amounts, Coupon Rates, Prices or Yields (If no reoffering yield (NRO) indicated, please provide yield separately.):
  
6. Call Provisions, including Premiums, if any:
7. Mandatory Redemption Provisions:
8. Debt-Service Schedule (Principal and Interest, and Annual Totals, with the Fiscal Year identified):
9. Derivative Products - List any associated with financing:
10. Refunded Bonds - If applicable, include a schedule of bonds refunded by year, principal amount, coupon, and interest cost.
11. Pledge: tax (ad valorem, sales, other), revenue, combination): Tax only
12. Credit Enhancement (including PSF guarantee): Assured Guaranty Municipal Corp, Inc.
13. Ratings: Moody's \_\_\_\_\_ S&P \_\_\_X\_\_\_ Fitch \_\_\_\_\_

**B. Additional Information**

14. Type of Sale (please circle one):  
a) competitive b) negotiated c) private placement d) other (explain)
15. Pricing:  
Negotiated sale: date \_\_\_\_\_ time \_\_\_\_\_ of verbal award of bid.  
Competitive sale: date 06/29/11 time 7:30 pm of bid opening.

Private placement: date \_\_\_\_\_ of agreement on interest rates.

16. Purchaser - If purchaser of bonds is a governmental entity, such as the Texas Water Development Board, please name purchaser:
17. Cash and Present Value Savings - If a refunding bond issue, please provide final schedule of cash and present value savings (loss).
18. Old/New Debt - If a school district refunding bond issue, and the refunding involves "old debt" per the Texas Education Code, please provide schedule of principal and interest payments of refunding bonds associated with "old debt." If the same issue also involves "new debt," please provide a schedule of principal and interest payments on the "new debt" portion as well. These two schedules together should equal total debt service by maturity.
19. CABs and CIBs - Please provide the per annum bond interest rates by maturity as shown in the bond order document.
20. Costs of Issuance - Please complete the information below:  
(If final costs are significantly different, please submit changes directly to the Texas Bond Review Board. Call 512-463-1741 or Fax to 512-475-4802).

<b>Service</b>	<b>Firm</b>	<b>One-Time Fee</b>	<b>Annual Fees <sup>a</sup></b>
Bond Rating	Moody's		
	Standard & Poor's	4,500	
	Fitch		
Other General Costs of Issuance <sup>b</sup>		131,700	
Any Specialized Costs of Issuance <sup>c</sup>			
Credit Facility			
Bond Insurance	Ass'd Guaranty Municipal Corp	40,000	
Total Underwriting Spread <sup>d</sup>		87,588	
Did Underwriter Pay Rating Fee? (Please circle one)		Yes	No
Did Underwriter Pay Bond Insurance Fee? (Please circle one )		Yes	No

a) Relates to the ongoing fees or recurring costs of a financing for services such as paying agent, remarketing agent, credit provider and other similar services (may be expressed as a formula as appropriate).

b) e.g., bond counsel, financial advisor, paying agent, printing, AG approval.

c) e.g., remarketing fees, escrow verification fees, etc.

d) The cost for marketing and selling the bonds, including takedown, structuring fee, underwriting risk, and expenses.

21. Transaction Participants - Please complete the information below:

<b>Participants</b>	<b>Firm</b>
Financial Advisor	Blitch Associates, Inc.
Bond Counsel	Michael A. Cole, P.C.
Paying Agent/Registrar	Wells Fargo Bank National Association
Underwriter(s)	Sterne, Agee & Leach, Inc.

**PERSON COMPLETING FORM:**

Name:	Michael A. Cole
Firm:	Michael A. Cole, P.C.
Telephone:	(713)880-3800
Fax:	(713)880-1417
E-mail:	mac@maclawpc.com

The information presented on this form is used by the Texas Bond Review Board for compiling outstanding debt information and related costs of issuance for governmental issuers in Texas. For more information please see <http://www.brb.state.tx.us/lgs/lgs.html>.

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**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**

**\$2,350,000 UNLIMITED TAX BONDS,  
SERIES 2011  
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**OFFICIAL BID FORM**

February 12, 2020

President and Board of Directors  
 Mason Creek Utility District of Harris County, Texas  
 c/o Blich Associates, Inc.  
 11111 Katy Freeway, Suite 820  
 Houston, Texas 77079-2118

Gentlefolk:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Mason Creek Utility District of Harris County, Texas (the "District") relating to its \$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the risk factors set forth in the Preliminary Official Statement dated January 15, 2020. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$2,616,349.15 (which represents 98.730 % of the par value), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

<u>Due Aug 1</u>	<u>Principal Amount (a)</u>	<u>Interest Rate</u>	<u>Due Aug 1</u>	<u>Principal Amount (a)</u>	<u>Interest Rate</u>
2020	\$75,000	<u>2.00</u> %	2030(a)	\$50,000	<u>2.00</u> %
2021	50,000	<u>2.00</u> %	2031(a)	55,000	<u>2.00</u> %
2022	50,000	<u>2.00</u> %	2032(a)	230,000	<u>2.00</u> %
2023	50,000	<u>2.00</u> %	2033(a)	235,000	<u>2.00</u> %
2024	55,000	<u>2.00</u> %	2034(a)	240,000	<u>2.00</u> %
2025	55,000	<u>2.00</u> %	2035(a)	245,000	<u>2.00</u> %
2026	50,000	<u>2.00</u> %	2036(a)	250,000	<u>2.00</u> %
2027(a)	50,000	<u>2.00</u> %	2037(a)	260,000	<u>2.20</u> %
2028(a)	55,000	<u>2.00</u> %	2038(a)	265,000	<u>2.20</u> %
2029(a)	55,000	<u>2.00</u> %	2039(a)	275,000	<u>2.20</u> %

(a) The Bonds maturing on or after August 1, 2027 are subject to optional redemption on August 1, 2026, and on any date thereafter at par plus accrued interest.

At the option of the Underwriter, such serial maturities may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year. We hereby designate the following as term bonds ("Term Bonds") with mandatory sinking fund redemptions:

<u>Term Bonds Maturity Date (Aug 1)</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bonds</u>	<u>Interest Rate</u>
20 <u>33</u>	20 <u>32</u>	\$ <u>465,000</u>	<u>2.00</u> %
20 <u>35</u>	20 <u>34</u>	\$ <u>485,000</u>	<u>2.00</u> %
20 <u>39</u>	20 <u>37</u>	\$ <u>800,000</u>	<u>2.20</u> %
20__	20__	\$ _____	_____ %
20__	20__	\$ _____	_____ %
20__	20__	\$ _____	_____ %
20__	20__	\$ _____	_____ %

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

Total Interest Cost from March 1, 2020	\$ <u>746,580.00</u>
Plus: Dollar Amount of Discount (Or Less: Dollar Amount of Premium)	\$ <u>33,650.85</u>
NET INTEREST COST	\$ <u>780,230.85</u>
NET EFFECTIVE INTEREST RATE	<u>2.176123</u> %

The Initial Bond shall be registered in the name of Robert W. Baird & Co., Incorporated (syndicate manager). We will advise the corporate trust office of UMB Bank n.a., Austin, Texas, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery.

We will require 10 copies of the final Official Statement for dissemination to potential purchasers of the Bonds. By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Underwriter described therein, as contemplated by Rule 15c2-12 of the United States Securities and Exchange Commission.

Cashiers Check No. 070585 Issued by Frost Bank, Austin, Texas, and payable to your order in the amount of \$53,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with such terms and conditions, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Underwriter uncashed on the date of delivery of the Bonds and payment of the purchase price thereof by the Underwriter.

We agree to accept delivery of and make payment for the Initial Bond in immediately available funds at the corporate trust office of UMB Bank, n.a., Austin, Texas, not later than 10:00 a.m., Central Time, on March 18, 2020, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. In the event all of the Bonds are not sold to ultimate customers prior to the date of delivery of the Bonds, we will so notify the District on such date and comply with the "hold-the-offering-price rule"

as described in the Official Notice of Sale. In addition, in the event the undersigned is the winning bidder for the Bonds, the undersigned agrees to provide the TEC Form 1295 or provide the District notification the TEC Form 1295 is not required as described in the NOTICE OF SALE under the heading "CONDITIONS OF SALE - Required Disclosure of Interested Parties."

By executing this Official Bid Form, the bidder hereby represents and certifies that the bidder (circle one:) [is] [is not] a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity for purposes of Texas Government Code §2252.908. The District may not accept this bid until it has received from the bidder, if that bidder is a privately held entity, a completed and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC"), pursuant to Texas Government Code §2252.908 and the rules promulgated thereunder by the TEC. The undersigned understands that in such circumstances, failure to provide said form complete with a certificate number assigned by the TEC as provided for in the Official Notice of Sale will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

By executing this Official Bid Form, the bidder represents and verifies that, to the extent this bid for the Bonds represents a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of Chapter 2270 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and through the end of the underwriting period as defined by United States Securities and Exchange Commission Rule 15c2-12, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority owned subsidiary, parent company or affiliate of those entities or business associations that exist to make a profit, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Additionally, by executing this Official Bid Form, the bidder also represents and certifies that to the extent this bid for the Bonds represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of those entities or business associations that exist to make a profit (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.0201 or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.157 of the Texas Government Code.

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

*Robert W. Baird & Co., Incorporated*  
*Peter Anderson*

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

Authorized Representative

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Mason Creek Utility District of Harris County, Texas, Houston, Texas, this 12<sup>th</sup> day of February, 2020.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

*[Signature]*  
\_\_\_\_\_  
President, Board of Directors

**ADDENDUM DATED MARCH 3, 2020 TO THE  
OFFICIAL STATEMENT DATED FEBRUARY 12, 2020**

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**

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

**\$2,650,000**

**UNLIMITED TAX BONDS, SERIES 2020**

**The following replaces the section titled “BOND INSURANCE” in the final official statement of Mason Creek Utility District of Harris County, Texas and reflects updated financial information of Assured Guaranty Municipal Corp**

**BOND INSURANCE**

**Bond Insurance Policy**

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

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

**Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure), and structured finance markets and, as of October 1, 2019, asset management services. 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 December 19, 2019, KBRA announced it had 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 November 7, 2019, S&P announced that it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further rating actions that S&P may take.

On August 13, 2019, Moody's announced that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### *Capitalization of AGM*

At December 31, 2019:

- The policyholders surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

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.”



AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared, the Newspaper Representative at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and generally circulated in the Counties of: HARRIS, TRINITY, WALKER, GRIMES, POLK, SAN JACINTO, WASHINGTON, MONTGOMERY, LIBERTY, AUSTIN, WALLER, CHAMBERS, COLORADO, BRAZORIA, FORT BEND, GALVESTON, WHARTON, JACKSON, and MATAGORDA and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

BLITCH ASSOCIATES, INC  
RAN A LEGAL NOTICE  
SIZE BEING: 3 x48 L

0000210115 HC049246223

Product  
Houston Chronicle

Date  
Jan 31 2020

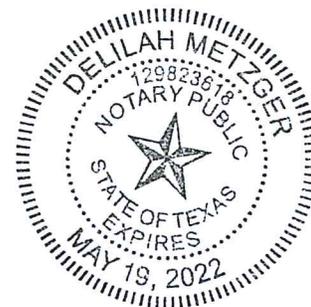
Class  
Legal Notices

Page  
B 4

*Victoria Bond A/K/Cent*

NEWSPAPER REPRESENTATIVE

Sworn and subscribed to before me, this 31st Day of January A.D. 2020



*[Signature]*

Notary Public in and for the State of Texas

**NOTICE OF SALE**

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**  
(A political subdivision of the State of Texas located in Harris  
County, Texas)

**\$2,650,000**  
**UNLIMITED TAX BONDS, SERIES 2020**

"Qualified Tax-Exempt Obligations"

The Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") will publicly receive sealed bids on the \$2,650,000

Unlimited Tax Bonds, Series 2020 (the "Bonds"), until 1:00 p.m. Houston time, Wednesday, February 12, 2020, at the offices of Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079. At a meeting to be held on Wednesday, February 12, 2020 at 7:30 p.m., Houston time, at the District's Office, 847 Dominion, Katy, Texas 77450, the Board of Directors of the District will thereupon either accept or reject the best bid.

Sealed bids, plainly marked "Bid for Bonds," should be addressed to the President and Board of Directors of the District and delivered to the offices of Blitch Associates, Inc., at the address noted above prior to 1:00 p.m., Houston time, Wednesday, February 12, 2020. All bids must be submitted on the "Official Bid Form" and accompanied by a bank Cashier's Check in the amount of \$53,000 payable to the order of the District as a Good Faith Deposit.

Bonds will mature serially on August 1, 2020 through August 1, 2039, both inclusive, and will be dated March 1, 2020. The "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form" may be obtained from the District's Financial Advisor, Bill Blitch, Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079-2118. The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell the Bonds will only be made by means of the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form."

Dated this January 29, 2020

Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

X  
THE STATE OF TEXAS X  
X  
X  
COUNTY OF TRAVIS X  
X

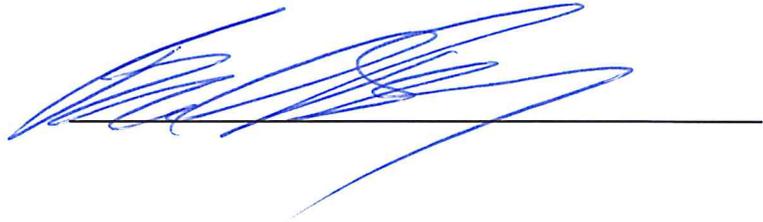
Before me, the undersigned authority, on this date personally appeared Barbara Dewey, who, having been by me duly sworn, upon her oath deposes and says;

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

The attached is a true and correct copy of

NOTICE OF SALE - MASON CREEK UD  
\$2,650,000 U/L Tax Bds Ser 2020

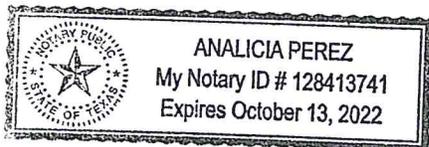
was published in the TEXAS BOND REPORTER on the following date(s), to wit: January 31, 2020.



Sworn to and subscribed before me this the 31st day of January A.D. 2020



Notary Public in and for the  
State of Texas  
My commission expires: 10/13/2022



## NOTICE OF SALE

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY TEXAS**  
(A political subdivision of the State of Texas located in Harris County Texas)

**\$2650000  
UNLIMITED TAX BONDS SERIES 2020**

"Qualified Tax-Exempt Obligations"

The Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") will publicly receive sealed bids on the \$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Bonds"), until 1:00 p.m, Houston time, Wednesday, February 12, 2020, at the offices of Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079. At a meeting to be held on Wednesday, February 12, 2020 at 7:30 bp.m Houston time, at the District's Office, 847 Dominion, Katy, Texas 77450, the Board of Directors of the District will thereupon either accept or reject the best bid.

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Bonds will mature serially on August 1, 2020 through August 1, 2039, both inclusive, and will be dated March 1, 2020. The "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form" may be obtained from the District's Financial Advisor, Bill Blitch, Blitch Associates, Inc., 11111 Katy Freeway, Suite 820, Houston, Texas 77079-2118. The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell the Bonds will only be made by means of the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form."

Dated this January 29, 2020

Len Forsyth  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

## LEGAL NOTICE

**Michael A. Cole, P.C.**

Attorney At Law  
5120 Bayard Lane  
Houston, Texas 77006-6512

Phone  
713-880-3800  
mac@maclawpc.com

Fax  
713-880-1417

March 12, 2020

Ms. Benita Lee Prol  
Chief of Public Finance Division  
Public Finance Department - Bond Division  
300 West 15th, 7th Floor  
Austin, Texas 78701

**Via Federal Express**

RE: \$2,650,000 Mason Creek Utility District of Harris County, Texas (the "District")  
Unlimited Tax Bonds, Series 2020

Dear Ms. Prol:

In response to your preliminary approval letter dated March 11, 2020, please be advised as follows:

1.a. The District has authorized a total of \$21,999,000 in bonds and after the issuance of the Series 2020 there will be a total of \$21,870,000 issued and \$129,000 remaining authorized but unissued as follows:

New Money Issue	Refunding Issue	Series	Name of Issue
\$3,035,000		1973	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds
\$1,525,000		1976	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds
\$2,360,000		1976-A	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds
\$3,400,000		1980	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds
\$4,050,000		1982	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds
	\$2,800,000	1987	Water and Sanitary Sewer System Combination Unlimited Tax and Revenue Refunding Bonds
	\$7,240,000	1992	Unlimited Tax Refunding Bonds
\$2,500,000		1995	Unlimited Tax Bonds
\$2,350,000		2011	Unlimited Tax Bonds
\$2,650,000		2020	Unlimited Tax Bonds
<b>\$21,870,000</b>	<b>\$10,040,000</b>		

- 1.b. Section 8.03 of the Bond Resolution and the Appropriation Certificate have been revised to reflect that there shall be levied a tax sufficient to pay the full debt service on the Bonds for the period of six (6) months of construction and in any event there is no need for the capitalization of any interest payments due on the bonds.
- 2. The General Certificate has been revised to add a provision that all data required by law to be filed with the TCEQ has been filed.
- 3. The Paying Agent/Registrar Agreement has been revised to include certifications of its compliance with HB 89 prohibiting contracts with companies boycotting Israel, and SB 252 prohibiting governmental contracts with a company doing business with Iran, Sudan

or a foreign terrorist organization.

Additionally, in response to the Initial Bonds Reviewer comment, I have enclosed revised Section 3.02 to enter a hyphen after "I-1", which now reads that the Initial Bonds "shall be numbered "I-1-" followed by the last two digits of the year. Two copies of the Addendum dated March 3, 2020 to the Official Statement dated February 12, 2020 are also enclosed.

Thanks for your review of the transcript. Should you or your office need anything further in this regard please let me know.

Yours very truly,



Michael A. Cole  
Bond Counsel for  
Mason Creek Utility District  
of Harris County, Texas

MAC/can

Enclosures: Revised Page 28, Section 8.03 Bond Resolution  
Revised Appropriation Certificate  
Revised Page 4 General Certificate  
Revised Page 12 Paying Agent/Registrar Agreement  
Revised Page 8 Section 8.03 Bond Resolution  
(2) Addendum to Official Statement

## ARTICLE EIGHT

### APPLICATION OF BOND PROCEEDS

SECTION 8.01. BOND PROCEEDS. Proceeds from the sale of the Bonds will be disbursed in accordance with this Article.

SECTION 8.02. ACCRUED INTEREST. Moneys received from the Initial Purchaser of the Bonds representing accrued interest on the Initial Bonds, if any, from their date to the date of their actual delivery shall be deposited into the Debt Service Fund.

SECTION 8.03. INTEREST DURING CONSTRUCTION. It is affirmatively found that the period of construction of the improvements to be constructed with the proceeds from the sale of the Bonds will be at least six (6) months from the date or time the Initial Bonds are sold and delivered. To provide for the payment of interest on the Bonds during the period of construction there shall be levied a tax sufficient to pay the full debt service on the Bonds for the period of six (6) months of construction and in any event there is no need for the capitalization of any interest payments due on the bonds.

SECTION 8.04. CONSTRUCTION FUND. The proceeds from the sale of the Bonds, as received, after making the deposits hereinbefore provided, shall be deposited into the Construction Fund and shall be used solely for the payment of the expenses incident to the issuance of the Bonds, including financial advisory, legal and engineering fees and expenses, and the costs of purchasing, constructing, acquiring, improving or extending the waterworks, surface water and sanitary sewer portions of the System. Any moneys remaining in the Construction Fund after completion of the improvements included in the Texas Commission on Environmental Quality (the "Commission") approval, including earned interest, shall be deposited into the Debt Service Fund or used for additional system improvements as approved by the Commission.

SECTION 8.05. FEDERAL INCOME TAX EXCLUSION.

(a) General. The District intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the District covenants and agrees to comply with each requirement of this Section 8.05; provided, however, that the District shall not be required to comply with any particular requirement of this Section 8.05 if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the District has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 8.05 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 8.05.

**APPROPRIATION CERTIFICATE**

**STATE OF TEXAS**

§

**COUNTY OF HARRIS**

§

§

I, the undersigned, being the President of the Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District"), do hereby make and execute this certificate for the benefit of the Attorney General of Texas and all other persons interested in the District's \$2,650,000 Unlimited Tax Bonds, Series 2020, initially dated as of March 1, 2020 (the "Bonds"), now in the process of issuance and delivery, and I certify that the District will levy a debt service tax, which will be sufficient for the payment of the debt service obligation on the Bonds due in 2020.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THE DISTRICT, this 12 day of March, 2020.



\_\_\_\_\_  
Michael A. Cole, Bond Counsel to  
Mason Creek Utility District  
of Harris County, Texas

(SEAL)

and the District's Bonds now in the process of issuance, the District has no outstanding indebtedness payable from taxes.

- (12) That neither the revenues nor the properties of the District's waterworks and sanitary sewer system have been in any way pledged or hypothecated, except to the extent that the net revenues thereof are pledged to the payment of the Outstanding Bonds.
- (13) That the District is not in default in the observance or performance of any of the covenants or other conditions in the Resolution authorizing the issuance of the Bonds or in the resolution authorizing the issuance of the Outstanding Bonds.
- (14) That the Board of Directors of the District has never adopted or given notice of the adoption of a resolution limiting the District's indebtedness.
- (15) That the District has not leased any of its facilities to any person, firm or corporation, and no such lease has ever been in existence.
- (16) That no part of the District is within the corporate limits of any city, town or village, and all of the land within the District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas, and the District is in compliance with the City of Houston's ordinance granting consent to the creation of the District.
- (17) That the District has received a copy of the Order of the Commission, dated December 17, 2019 approving the Series 2020 Bonds and the District is presently in compliance with and will continue to comply with the provisions of said Order.
- (18) In connection with the December 4, 1993 bond election authorizing the issuance of additional bonds of the District in the maximum amount of \$7,500,000.00 for waterworks, sanitary sewer and drainage and storm sewer facilities, there was no change affecting voting rights. That, to the extent applicable to the District, all requirements of the Voting Rights Act of 1965, as amended, and the Texas Election Code, as amended, have been met and complied with by the District.
- (19) That, with respect to the action of the Executive Director of the Commission dated December 17, 2019 approving the Bonds:
  - (a) no motion to overturn the Executive Director's action has been filed; and
  - (b) the District has not been notified that the TCEQ or its General Counsel has extended the period of time to file a motion to overturn the executive director's action.
- (20) That the District is in compliance with the provisions of Texas Government Code 2252.908 and the rules of the Texas Ethics Commission.
- (21) That all data required by law to be filed with the TCEQ has been filed.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

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

Section 6.11. Governing Law.

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

Section 6.12. Compliance Certification.

The Bank certifies its compliance with HB 89 prohibiting contracts with companies boycotting Israel, and SB 252 prohibiting governmental contracts with a company doing business with Iran, Sudan or a foreign terrorist organization.

*[The remainder of this page intentionally left blank.]*

## ARTICLE THREE

### AUTHORIZATION, DESCRIPTION, EXECUTION AND REGISTRATION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the District to be known and designated as Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020, shall be issued in the aggregate principal amount of TWO MILLION SIX HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,650,000) for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system for the District, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor in connection therewith, under and in strict conformity with the Constitution and laws of the State of Texas, particularly (but not by way of limitation), Section 59 of Article XVI of the Constitution of Texas, the Act and Chapters 49 and 54, Texas Water Code, as amended.

SECTION 3.02. FORM, INITIAL DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be dated as of the Initial Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. The Initial Bonds submitted for approval, registration and delivery in accordance with Section 3.05 hereof shall be numbered "I-1-" followed by the last two digits of the year in which such Initial Bond is scheduled to mature. Each Bond registered and delivered by the Registrar thereafter shall be numbered consecutively in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. The Bonds shall be serial and term Bonds, shall bear interest from the Initial Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate or rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

**ADDENDUM DATED MARCH 3, 2020 TO THE  
OFFICIAL STATEMENT DATED FEBRUARY 12, 2020**

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**

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

**\$2,650,000**

**UNLIMITED TAX BONDS, SERIES 2020**

The following replaces the section titled "BOND INSURANCE" in the final official statement of Mason Creek Utility District of Harris County, Texas and reflects updated financial information of Assured Guaranty Municipal Corp

**BOND INSURANCE**

**Bond Insurance Policy**

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

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

**Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure), and structured finance markets and, as of October 1, 2019, asset management services. 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 December 19, 2019, KBRA announced it had 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 November 7, 2019, S&P announced that it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further rating actions that S&P may take.

On August 13, 2019, Moody's announced that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### *Capitalization of AGM*

At December 31, 2019:

- The policyholders surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

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."



## MUNICIPAL BOND INSURANCE COMMITMENT

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") hereby commits to issue its Municipal Bond Insurance Policy (the "Policy") relating to whole maturities of the debt obligations described in Exhibit A attached hereto (the "Bonds"), subject to the terms and conditions set forth in this Commitment, or added hereto (the "Commitment"). For the avoidance of doubt, each of the Exhibits attached hereto is an integrated part of this Commitment. To keep this Commitment in effect after the Expiration Date set forth in Exhibit A attached hereto, a request for renewal must be submitted to AGM prior to such Expiration Date. AGM reserves the right to refuse wholly or in part to grant a renewal.

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

1. The transaction documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof ("Closing Date").
3. On the date hereof and on the Closing Date, there shall have been no material adverse change in or affecting the Issuer and/or the Obligor, as applicable, or the Bonds (including, without limitation, the security for the Bonds or the proposed debt service schedule of the Bonds), any disclosure document relating to the Bonds (the "Official Statement"), the financing documents to be executed and delivered with respect to the Bonds, the legal opinions to be executed and delivered in connection with the issuance and sale of the Bonds, or any other information submitted to AGM with respect to the referenced transaction, or the Bonds, from that previously delivered or otherwise communicated to AGM.
4. The Bonds shall contain no reference to AGM, the Policy or the insurance evidenced thereby except as may be approved by AGM. BOND PROOFS SHALL HAVE BEEN APPROVED BY AGM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form provided by AGM.
5. AGM shall be provided with:
  - (a) Executed copies of all financing documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to AGM or accompanied by a letter of such counsel permitting AGM to rely on such opinion as if such opinion were addressed to AGM), including, without limitation, the approving opinion of bond counsel. Each of the foregoing shall be in form and substance acceptable to AGM. Copies of all drafts of such documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to AGM for review and approval. Final drafts of such documents shall be provided to AGM at least three (3) business days prior to the issuance of the Policy, unless AGM shall agree to some shorter period.
  - (b) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to AGM have been made prior to the delivery date of the Bonds.
  - (c) S&P Global and Moody's Investors Service Inc. will separately present bills for their respective fees relating to the Bonds. Payment of such bills should be made directly to such rating agency. Payment of the rating fee is not a condition to release of the Policy by AGM.

6. Promptly after the closing of the Bonds, AGM shall receive three completed sets of executed documents (one original and either (i) two photocopies (each unbound) or (ii) two compact discs).

7. The Official Statement shall contain the language provided by AGM and only such other references to AGM or otherwise as AGM shall supply or approve. AGM SHALL BE PROVIDED WITH FOUR PRINTED COPIES OF THE OFFICIAL STATEMENT.

8. AGM hereby verifies that AGM does not boycott Israel and will not boycott Israel through the term of this Commitment. For purposes of this paragraph 8, (i) "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes; and (ii) "AGM" means AGM and any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of AGM.

9. AGM hereby verifies that as of the Closing Date, AGM (i) does not engage in business with Iran, Sudan or any foreign terrorist organization as described in Subchapter F of Chapter 2252 of the Texas Government Code, and (ii) is not a company listed by the Texas Comptroller under Sections 2270.021 or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" as used in this paragraph 9 has the meaning assigned to such term in section 2252.151 of the Texas Government Code. For purposes of this paragraph 9, "AGM" means AGM and any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of AGM.

**TERM SHEET FOR MUNICIPAL BOND INSURANCE COMMITMENT**

Issuer: Mason Creek Utility District of Harris County (A political subdivision of the State of Texas located within Harris County, Texas)

Principal Amount of Bonds Insured: Not to Exceed \$2,650,000

Name of Bonds Insured: Unlimited Tax Bonds, Series 2020

Date of Commitment: February 13, 2020

Expiration Date: Friday, April 17, 2020\*

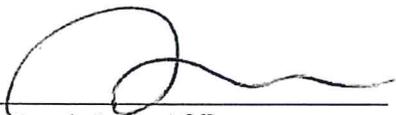
Premium: \$10,600.00

Bond Counsel Opinion -- Language Requirements:

The approving opinion of Bond Counsel shall include language to the effect that the Bonds are a full faith and credit general obligation of the Issuer, the payment for which the Issuer is obligated to exercise its ad valorem taxing power, without limit as to rate or amount, upon all taxable property within the Issuer.

Additional Conditions: None

ASSURED GUARANTY MUNICIPAL CORP.

  
\_\_\_\_\_  
Authorized Officer

\*To keep the Commitment in effect to the Expiration Date set forth above, AGM must receive a duplicate of this Exhibit A executed by an authorized officer by the earlier of the date on which the Official Statement containing disclosure language about AGM is circulated and ten days from the Date of Commitment.

ROBERT W. BAIRD & CO., INC.

\_\_\_\_\_  
Authorized Officer

In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: Mason Creek Utility District of Harris County (A political subdivision of the State of Texas located within Harris County, Texas)

Policy No.: 219994-N

BONDS: \$2,650,000 in aggregate principal amount of Unlimited Tax Bonds, Series 2020

Effective Date: March 18, 2020

Premium: \$10,600.00

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

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

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

In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificate holder is not protected by an insurance guaranty fund or other solvency protection arrangement.

Page 2 of 2  
Policy No. 219994-N

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

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

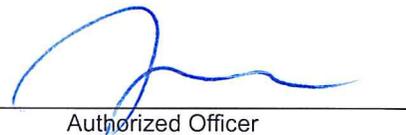
To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By

  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500NY (5/90)



**KEN PAXTON**  
ATTORNEY GENERAL OF TEXAS

March 13, 2020

THIS IS TO CERTIFY that Mason Creek Utility District of Harris County, Texas (the "Issuer") has submitted the Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020 (the "Bonds"), in the aggregate principal amount of \$2,650,000, for approval. The Bonds are dated March 1, 2020, numbered I-1-20 through I-1-31, I-1-33, I-1-35 through I-1-36 and I-1-39, and were authorized by a Resolution of the Issuer passed on February 12, 2020.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to any official statement or any other offering material relating to the Bonds.

We have not reviewed and do not approve any contract or lease other than as specifically identified herein.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bonds have been issued in accordance with law and are valid and binding obligations of the Issuer.
- (2) The Bonds is payable from the proceeds of an ad valorem tax levied, without limitation as to rate or amount, upon all taxable property within the Issuer.

Therefore, the Bonds are approved.

No. 67388  
Book No. 2020-A  
JCH  
\*See attached Signature Authorization

  
Attorney General of the State of Texas

OFFICE OF THE ATTORNEY GENERAL  
OF THE STATE OF TEXAS

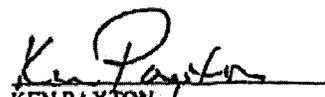
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I, KEN PAXTON, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, district, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supersedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 5<sup>th</sup> day of January, 2015.



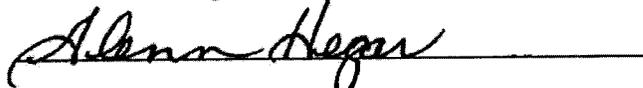
  
KEN PAXTON  
Attorney General of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

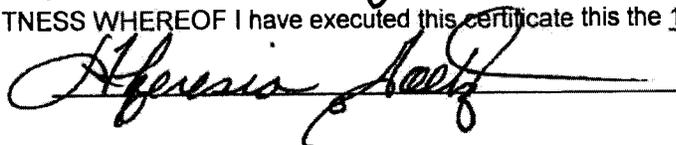
I, Theresia Goetz,  Bond Clerk  Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 13th day of March 2020, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020,

numbered I-1-20 through I-1-31, I-1-33, I-1-35 through I-1-36 and I-1-39, dated March 1, 2020, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 13th day of March 2020.



I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 93527.

GIVEN under my hand and seal of office at Austin, Texas, this the 13th day of March 2020.



GLENN HEGAR  
Comptroller of Public Accounts  
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, GLENN HEGAR, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020

numbered I-1-20 through I-1-31, I-1-33, I-1-35 through I-1-36 and I-1-39, of the denomination of \$ various, dated March 1, 2020, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 13th day of March 2020, under Registration Number 93527.

Given under my hand and seal of office, at Austin, Texas, the 13th day of March 2020.

A handwritten signature in black ink, appearing to read "Glenn Hagar", written in a cursive style.

GLENN HEGAR  
Comptroller of Public Accounts  
of the State of Texas

**Michael A. Cole, P.C.**

Phone  
713-880-3800  
mac@maclawpc.com

Attorney At Law  
5120 Bayard Lane  
Houston, Texas 77006-6512

Fax  
713-880-1417

March 18, 2020

WE HAVE ACTED AS BOND COUNSEL for Mason Creek Utility District of Harris County, Texas (the "District"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows: MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, UNLIMITED TAX BONDS, SERIES 2020 aggregating \$2,650,000 in principal amount, dated March 1, 2020.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the District and other public officials. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement, dated February 12, 2020, has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, including, without limitation, the Bond Resolution, together with customary certificates of officers, agents and representatives of the District and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person whether any such actions are taken or omitted or events do occur or any other matters that come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the District has been validly created and organized; the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; and, therefore, the Bonds are valid and legally binding obligations of the District, and all taxable property in the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount.

The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions generally.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County or any other entity.

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.
- (2) Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

In the Bond Resolution the District has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Bonds.

A handwritten signature in black ink, appearing to be "M. A. J.", is located at the bottom center of the page.

**CERTIFICATE OF RESOLUTION**

**STATE OF TEXAS           §**

**COUNTY OF HARRIS       §**

We, the undersigned officers of the Board of Directors of Mason Creek Utility District of Harris County, Texas, hereby certify as follows:

1. The Board of Directors of Mason Creek Utility District of Harris County, Texas, convened in Regular Session, on the 12<sup>th</sup> day of February, 2020 at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Assistant Secretary/Treasurer
Robert J. Wills	Director

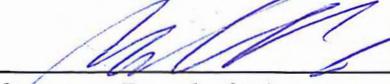
and all of said persons were present, excepting None, thus constituting a quorum. Whereupon, among other business, the following measure, to-wit:

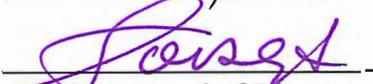
**RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,650,000 UNLIMITED TAX BONDS, SERIES 2020; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; AWARDING THE SALE THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT**

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

2. That a true, full and correct copy of the aforesaid measure adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that the measure has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the measure would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended by the Texas Water Code.

SIGNED AND SEALED this the 12<sup>th</sup> day of February, 2020.

  
\_\_\_\_\_  
Secretary Board of Directors  
(SEAL)

  
\_\_\_\_\_  
President, Board of Directors

**RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,650,000 UNLIMITED TAX BONDS, SERIES 2020; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; AWARDING THE SALE THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

Section 1.01. AUTHORITY FOR THE DISTRICT. Mason Creek Utility District of Harris County, Texas (the "District") was created by House Bill No. 1702, Acts of the 62nd Legislature of Texas, Regular Session, 1971 (compiled as Vernon's Texas Civil Statutes Article 8280-551, and herein referred to as the "Act") pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The Act vests the District with all the rights, powers, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including, without limitation, those conferred by Chapter 54, Title 4, Texas Water Code.

Section 1.02. PURPOSES OF THE DISTRICT. The District was created for the following purposes:

- (a) the control, storage, preservation, and distribution of its storm water and floodwaters, the waters of its rivers and streams, for irrigation, power, and all other useful purposes;
- (b) the reclamation and irrigation of its arid, semi-arid, and other lands needing irrigation;
- (c) the reclamation and drainage of its overflowed lands, and other lands needing irrigation;
- (d) the conservation and development of its forests, water and hydroelectric power;
- (e) the navigation of its inland and coastal waters;
- (f) the control, abatement, and change of any shortage of harmful excess of water;
- (g) the protection, preservation, and restoration of the purity and sanitary condition of water within the state; and
- (h) the preservation of all natural resources of the state.

Section 1.03. POWERS OF THE DISTRICT. The District is authorized by the Act to

purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any and all works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes of its creation, including all works, improvements, facilities, plants, equipment, and appliances incident, helpful, or necessary to:

- (a) supply water for municipal uses, domestic uses, power, and commercial purposes and all other beneficial uses or controls;
- (b) collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid, solid, or composite state;
- (c) gather, conduct, divert, and control local storm water or other local harmful excesses of water in the District;
- (d) irrigate the land in the District;
- (e) alter land elevation in the District where it is needed;
- (f) navigate coastal and inland waters of the District; and
- (g) provide parks and recreational facilities for the inhabitants in the District.

Section 1.04. AUTHORITY OF THIS RESOLUTION. The District is authorized by the Act to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any District works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes for which the District was created, including works, improvements, facilities, plants, equipment and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer and drainage system, solid waste disposal system, or to provide parks and recreation facilities, or to make payment of sums due or to become due under contracts for such purposes.

Section 1.05. FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set out in this Article One are true and correct;
- (b) the creation of the District was confirmed at an election held on the 16th day of December, 1972;
- (c) at elections held within and for the District on June 17, 1972, December 30, 1974, April 3, 1976, and July 11, 1981, the District was authorized to issue the bonds of the District in the maximum amount of \$14,499,000 for the purposes of the acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for the District and for the further purpose of the acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within the District, said bonds to be payable from a sufficient tax upon all taxable property within the District and to

be secured by a pledge of all or any designated part or parts of the revenues resulting from the ownership or operation of the District's works, improvements, facilities, plants, equipment and appliances, or under specific contracts;

- (d) at an election held within the District on December 4, 1993 the District was authorized to issue the bonds of the District in the maximum amount of \$7,500,000 for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system including all additions, works, improvements, facilities, plants, equipment, appliances, interests in property and administrative facilities needed in connection therewith, said bonds to be payable from a sufficient tax upon all taxable property within the District;
- (e) the elections described in Paragraphs (c) and (d) hereof were called and held under and in strict conformity with the Constitution and laws of the State of Texas, and of the United States of America, and the Board of Directors has heretofore officially declared the results of said elections and declared that the District is legally authorized to issue the bonds described in Paragraphs (c) and (d);
- (f) pursuant to the authority of the elections described in Paragraphs (c) and (d) above, the District has heretofore issued its \$3,035,000 Water and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1973 (the "Series 1973 Bonds"), dated as of June 1, 1973; its \$1,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1976 (the "Series 1976 Bonds"), dated as of March 1, 1976; its \$2,360,000 Waterworks and Sewer Combination Unlimited Tax and Revenue Bonds Series, 1976-A (the "Series 1976-A Bonds"), dated as of September 1, 1976; its \$3,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds (the "Series 1980 Bonds"), Series 1980, dated as of June 1, 1980; its \$4,050,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1982 (the "Series 1982 Bonds"), dated as of February 1, 1982; its \$2,800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1987 (the "Series 1987 Bonds") dated as of September 1, 1987; its \$7,240,000 Unlimited Tax Refunding Bonds, Series 1992 (the "Series 1992 Bonds") dated as of September 1, 1992; and its \$2,500,000 Unlimited Tax Bonds, Series 1995 (the "Series 1995 Bonds") dated as of March 1, 1995; and to commence and continue the purchase and construction of a waterworks and sanitary sewer system and a drainage and storm sewer system for the District, and refinance a portion of the District's indebtedness;
- (g) pursuant to the authority of the election described in Paragraph (d) above, the District has heretofore issued its \$2,350,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds") dated as of August 1, 2011, to commence and continue the purchase and construction of a waterworks and sanitary sewer system and a drainage and storm sewer system for the District;
- (h) the Bonds authorized by this Resolution are to be issued out of the December 4, 1993

election authorization for \$7,500,000 in bonds described in Paragraph (d) above to acquire, construct, improve and repair the District's waterworks, sanitary sewer and drainage and storm sewer system, and after the issuance of the bonds authorized by this Resolution there will remain \$129,000 in bonds authorized but unissued;

- (i) the bonds referred to in paragraph (f) including an issue to refinance a portion of same are no longer outstanding;
- (j) the bonds authorized by this Resolution will be used to rehabilitate and renovate certain water production and distribution facilities, sanitary sewer collection and conveyance facilities; and
- (k) the District has been authorized to levy taxes, and the taxes to be collected will be sufficient to pay the principal of said bonds as it matures and the interest thereon as it accrues.

(END OF ARTICLE ONE)

## ARTICLE TWO

### DEFINITIONS

SECTION 2.01. DEFINITIONS. The definitions of the terms and phrases contained in this Resolution (hereinafter defined), shall apply with equal force herein and are hereby adopted as a part of this Resolution (except in Article Five hereof) and in any resolution amendment or supplement hereto; provided, however, that where such definitions are inconsistent or in conflict with the terms and provisions of this Resolution, the definitions contained in this Resolution shall govern:

"Additional Bonds" shall mean the additional bonds payable from ad valorem taxes which the District may issue from time to time in the future.

"Authorized Investments" shall mean all direct obligations of the United States or one of its agencies, the State of Texas, or any county, city, school district, or other political subdivision of the State and certificates of deposit of state or national banks or savings and loan associations within the State provided that they are secured in the manner provided for under the Public Funds Investment Act, Chapter 2256, Texas Government Code.

"Board of Directors" or "Board" shall mean the governing body of the District.

"Bond" or "Bonds" shall mean any Bond or Bonds as the case may be, of the issue of \$2,650,000 Unlimited Tax Bonds, Series 2020, dated March 1, 2020, authorized, issued and delivered pursuant to this Resolution.

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

"Closing Date" or "Issuance Date" shall mean the date on which the Bonds are initially authenticated and delivered to the Purchaser against payment therefor.

"Construction Fund" or "Capital Projects Fund" shall mean the District's construction fund which is created and established in Section 7.01 of this Resolution and into which a portion of the proceeds from the sale of the Bonds is to be deposited and used in accordance with Section 8.04 of this Resolution.

"Debt Service Fund" shall mean the District's debt service fund which is created and established in Sections 7.01, 7.03 and 6.02 of this Resolution.

"District" shall mean Mason Creek Utility District of Harris County, Texas, and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

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

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

“Fiscal Year” shall mean the twelve-month fiscal year period of the District, which is currently the twelve-month period beginning July 1 of each year and ending on June 30 of the following year, but which may be changed from time to time by the Board.

“Holder,” “Holders,” or “Owner” when used with respect to any Bond shall mean the Person or Persons in whose name such Bond is registered on the Register.

“Initial Bonds” shall mean the Bonds authorized to be issued and initially delivered hereunder upon which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas or his duly authorized deputy, substantially in the form prescribed in Section 5.03 hereof, has been placed.

“Initial Date” shall mean March 1, 2020, the date of the Bonds.

“Initial Purchaser” shall mean the Person purchasing the Bonds as stated in Section 13.01 hereof.

“Interest Payment Date” shall mean the date on which interest on the outstanding Bonds is due and payable and shall be each February 1 and August 1 beginning August 1, 2020.

“Maturity Date” shall mean any date on which the principal of any then Outstanding Bond becomes due and payable as provided in Section 3.03 hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

“Outstanding Bonds” shall mean the remaining outstanding portions of the District's Series 2011 Bonds.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Paying Agent” shall mean the agency maintained from time to time by the District for the purpose of making payment on behalf of the District of the principal of and the interest on the Bonds, as provided in Section 12.06 of this Resolution.

“Person” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.09 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

"Record Date" shall mean, with respect to an Interest Payment Date of February 1, the preceding January 15, and with respect to an Interest Payment Date of August 1, the preceding July 15, whether or not such dates are business days.

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

"Redemption Price" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the terms of this Resolution, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"Refunding Bonds" shall mean the bonds which the District reserves the right to issue in Section 9.03 of this Resolution.

"Register" shall mean the registry system maintained on behalf of the District by a Registrar designated by the District for such purpose in which are maintained the names and addresses of Holders and the principal amounts and Maturity Amount of the Bonds registered in the name of each Holder.

"Registrar" shall mean the bank, trust company, financial institution or other entity as may hereafter be designated as such from time to time by the District to act as Registrar for the Bonds, as provided in Section 12.05 of this Resolution.

"Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

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

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

"SID" means The Municipal Advisory Council of Texas, which has been designated by the State of Texas as determined by the SEC or its staff to be, a state information depository within the meaning of the Rule.

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

(END OF ARTICLE TWO)

## ARTICLE THREE

### AUTHORIZATION, DESCRIPTION, EXECUTION AND REGISTRATION OF BONDS

SECTION 3.01. AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the District to be known and designated as Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020, shall be issued in the aggregate principal amount of TWO MILLION SIX HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,650,000) for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system for the District, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor in connection therewith, under and in strict conformity with the Constitution and laws of the State of Texas, particularly (but not by way of limitation), Section 59 of Article XVI of the Constitution of Texas, the Act and Chapters 49 and 54, Texas Water Code, as amended.

SECTION 3.02. FORM, INITIAL DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be dated as of the Initial Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. The Initial Bonds submitted for approval, registration and delivery in accordance with Section 3.05 hereof shall be numbered "I-1" followed by the last two digits of the year in which such Initial Bond is scheduled to mature. Each Bond registered and delivered by the Registrar thereafter shall be numbered consecutively in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof.

SECTION 3.03. INTEREST RATES AND MATURITIES. The Bonds shall be serial and term Bonds, shall bear interest from the Initial Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate or rates set forth in the following schedule, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on August 1 in each of the years and in the principal amounts set forth in the schedule below:

**SERIAL BONDS**

Principal Amount	Year of Stated Maturity	Interest Rate
\$75,000	2020	2.00%
\$50,000	2021	2.00%
\$50,000	2022	2.00%
\$50,000	2023	2.00%
\$55,000	2024	2.00%
\$55,000	2025	2.00%
\$50,000	2026	2.00%
\$50,000	2027	2.00%
\$55,000	2028	2.00%
\$55,000	2029	2.00%
\$50,000	2030	2.00%
\$55,000	2031	2.00%
**	****	
\$250,000	2036	2.00%

**TERM BONDS**

<u>Maturity</u>	<u>Mandatory Redemption Date(s)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
\$465,000 maturing August 1, 2033	August 1, 2032 August 1, 2033	\$230,000 \$235,000	2.00% 2.00%
\$485,000 maturing August 1, 2035	August 1, 2034 August 1, 2035	\$240,000 \$245,000	2.00% 2.00%
\$800,000 maturing August 1, 2039	August 1, 2037 August 1, 2038 August 1, 2039	\$260,000 \$265,000 \$275,000	2.20% 2.20% 2.20%

**SECTION 3.04. INTEREST PAYMENT DATES AND MANNER OF PAYMENT.** Interest on the Bonds shall be payable semi-annually on February 1 and August 1 of each year, with the first interest payment to be made on August 1, 2020. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months and a 180-day semi-annual period of six 30-day months. Ten (10) days before each Interest Payment Date, the Paying Agent shall compute the amount of interest to be due and payable on such

Interest Payment Date and shall send to the District notice of the amount of interest so computed to be due and payable on such Interest Payment Date.

The interest so payable on any Interest Payment Date will be paid to the Person in whose name each Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.05. EXECUTION AND REGISTRATION OF BONDS. (a) The Bonds shall be signed by the President or Vice President of the Board and countersigned by the Secretary or Assistant Secretary of the Board, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) If any officer of the District whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

(c) The President or Vice President and Secretary or Assistant Secretary of the Board of Directors of the District and representatives of the District's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Bonds to be initially issued, the Comptroller (or the Comptroller's bond clerk or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

(d) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Registrar's Authentication Certificate substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Registrar. In lieu of the executed Registrar's Authentication Certificate described above, the Initial Bonds delivered at the Closing Date shall have attached hereto the Comptroller's Registration Certificates substantially in the form provided herein, manually executed by the Comptroller, or by his duly authorized agent, which certificates shall be evidence that the Initial Bonds have been duly approved by the Attorney General of the State of Texas and that they are valid and binding obligations of the District, and have been registered by the Comptroller.

(e) On the Closing Date, the Initial Bonds, issued in denominations equal to the entire

principal amount of each scheduled maturity of the Bonds (the “Initial Bonds”), payable in stated installments to the Initial Purchaser or its designee, executed by manual or facsimile signature of the President or Vice President and Secretary or Assistant Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller, shall be delivered to the Initial Purchaser or its designee but only upon receipt of the full purchase price thereof. Upon payment for the Initial Bonds, the Registrar shall cancel the Initial Bonds and deliver Bonds to DTC.

SECTION 3.06. PAYMENT OF PRINCIPAL AND INTEREST. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at maturity or earlier redemption at the principal corporate trust office of the Registrar in Austin, Texas.

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

Amounts held by the Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

SECTION 3.08. REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal corporate trust office, and, in addition, shall maintain a copy of the Register at its office in Austin, Texas, and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Resolution.

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

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Registrar in Austin, Texas, for a Bond or Bonds of the same maturity and

interest rate in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

SECTION 3.09. REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the District shall cause to be executed and the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is lost, apparently destroyed or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas, and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed and the Registrar shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

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

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

In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

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

SECTION 3.10. CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated and delivered in accordance herewith shall be canceled or destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent and Registrar shall periodically furnish the District with appropriate certificates of destruction of such Bonds.

SECTION 3.11. BOOK-ENTRY ONLY SYSTEM. Notwithstanding the provisions of other Sections in Article III and IV hereof relating to payment, transfer/exchange and redemption of the Bonds, the District hereby approves and authorizes the use of "Book-Entry Only" securities clearance, settlement and transfer system provided by DTC in accordance with DTC's requirements and procedures, and authorizes the District and Paying Agent and Registrar to take such actions as necessary to qualify the Bonds with DTC and to deliver the Bonds to DTC.

(a) The Initial Bonds shall be registered in the name of the Initial Purchaser. Except as provided in Section 3.05 and Section 3.12 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect

to interest checks being mailed to the Owner of record as of the Record Date, the phrase “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

(c) The execution and delivery of the Blanket Issuer Letter of Representations is hereby approved with such changes as may be approved by the President of the Board, and the President of the Board is hereby authorized and directed to execute such Blanket Issuer Letter of Representations.

SECTION 3.12. SUCCESSOR SECURITIES DEPOSITORY: TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the District in its sole discretion, determines that the beneficial owners of the Bonds be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

SECTION 3.13. PAYMENTS TO CEDE & CO. Notwithstanding any other provisions of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Issuer Letter of Representations.

(END OF ARTICLE THREE)

## ARTICLE FOUR

### REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01. REDEMPTION OF BONDS. The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2027, prior to their scheduled maturities, in whole or, from time to time, in part, on August 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus unpaid accrued interest on the Bonds called for redemption to the date fixed for redemption. The District shall, at least forty (40) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar (or DTC while the Bonds are in Book-Entry only form) from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, in the event a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof and only by the delivery of one or more exchange bonds in aggregate maturity amount equal to the unredeemed portion of the bond so redeemed in part. The Registrar shall promptly notify the District and the Paying Agent, in writing, of the Bonds selected for redemption.

Portions of the Bonds are subject to mandatory redemption on the dates and at the redemption prices set forth in the form of the Bonds set forth in Section 5.01 of this Resolution.

For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions herewith, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.02. NOTICE OF REDEMPTION. Notice of each exercise of the reserved right of redemption shall be given by the District, or at the District's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage pre-paid to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is thirty (30) days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amounts of the Bonds to be redeemed and, if less than all of the then outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.02 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. By the Redemption Date, due provisions shall be made with the Paying Agent for the

payment of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the Redemption Date. When Bonds have been called for redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portion thereof, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds or portions thereof so called for redemption shall be terminated.

(END OF ARTICLE FOUR)

ARTICLE FIVE

FORM OF BONDS AND CERTIFICATES

SECTION 5.01. FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and consistent with the terms of this Resolution:

REGISTERED NUMBER _____	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF HARRIS	REGISTERED AMOUNT \$ _____
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MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS  
UNLIMITED TAX BOND, SERIES 2020

Interest Rate:	Maturity Date:	Initial Date:	Date of Delivery:	CUSIP No.:
_____	_____	March 1, 2020	_____	_____

REGISTERED OWNER:  
PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, a conservation and reclamation district, a body politic and corporate and a governmental agency created under the Constitution and laws of the State of Texas, situated in Harris County, Texas (herein the "District"), promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above, the principal amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the Initial Date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable August 1, 2020, and semi-annually thereafter on August 1 and February 1 (individually, an "Interest Payment Date") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the District duly adopted on February 12, 2020 (the "Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Principal of this Bond and any interest due at maturity are payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of this Bond at the principal corporate trust offices of the agency selected by the District for such purpose in the City of Austin, Texas (the "Paying Agent"). Otherwise, interest on this Bond is payable to the registered owner hereof as shown on the registry books maintained on behalf of the District by a banking corporation or association in the City of Austin, Texas, selected by the District

for such purpose (the "Registrar") by wire transfer to the registered owner hereof, or by such other customary banking arrangements as may be acceptable to the Paying Agent and the Registered owner hereof, at the risk and expense of the Registered owner hereof. The initial Registrar and Paying Agent shall be UMB Bank, n.a., Austin, Texas.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS aggregating TWO MILLION SIX HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,650,000), issued for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks, sanitary sewer and drainage and storm sewer system for the District, including, but not limited to, all additions thereto and all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor, by authority of an election held within and for the District on December 4, 1993, and pursuant to the Resolution, all under and in strict conformity with the Constitution and laws of the State of Texas.

THE TRANSFER OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registrable at the principal corporate trust offices of the Registrar by the registered owner hereof, in person, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Resolution, and only upon surrender of this Bond. Upon any such registration of transfer, one or more exchange Bonds, in authorized denominations, for a like aggregate principal amount, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage pre-paid, to the transferee in exchange therefor. This Bond, with or without others of like form and series, may in like manner be exchanged for one or more registered Bonds of other authorized denominations in the same aggregate principal amount. No service charge shall be made for any such transfer or exchange, but the District and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith. Neither the District nor the Registrar shall be required to transfer or exchange any Bond of this issue on any date which is fifteen (15) calendar days or less prior to any Interest Payment Date.

THE DISTRICT RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after August 1, 2027, in whole or, from time to time, in part, prior to their scheduled maturities, on August 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the Redemption Date. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed, in whole or in part, from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption; provided, however, in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof and only upon the delivery of one or more exchange Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

IN ADDITION TO BEING SUBJECT TO OPTIONAL REDEMPTION, THE BONDS ISSUED AS TERM BONDS maturing August 1, 2033, August 1, 2035 and August 1, 2039 (the “Term Bonds”) are subject to mandatory redemption prior to maturing in the following amounts (subject to reduction as hereinafter provided), on the following dates (“Mandatory Redemption Dates”), at a price equal to the principal amount redeemed plus accrued interest to each Mandatory Redemption Date, subject to the conditions set forth below:

<b><u>TERM BONDS</u></b>			
<u>Maturity</u>	<u>Mandatory Redemption Date(s)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
\$465,000 maturing August 1, 2033	August 1, 2032	\$230,000	2.00%
	August 1, 2033	\$235,000	2.00%
\$485,000 maturing August 1, 2035	August 1, 2034	\$240,000	2.00%
	August 1, 2035	\$245,000	2.00%
\$800,000 maturing August 1, 2039	August 1, 2037	\$260,000	2.20%
	August 1, 2038	\$265,000	2.20%
	August 1, 2039	\$275,000	2.20%

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

NOTICE OF THE EXERCISE OF THE RESERVED RIGHT OF REDEMPTION shall be given by the Registrar at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage pre-paid to the Holder of each Bond to be redeemed, in whole or in part, at the address shown on the Register on the date which is thirty (30) days prior to the Redemption Date. By the Redemption Date, due provision shall have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the Redemption Date. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the Holders to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or portions thereof so called for redemption, shall be terminated.

NEITHER THE DISTRICT NOR THE REGISTRAR shall be required to transfer or exchange any Bond on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the District or the Registrar be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OR TRANSFER, the District, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the District, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable from the proceeds of an ad valorem tax levied without legal limitation as to rate or amount upon all taxable property within the District. Reference is hereby made to the Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the District, the Paying Agent and the Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered. By acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Resolution.

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to UMB Bank, n.a., Austin, Texas, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions, and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part by the levy of a direct annual ad valorem tax upon all taxable property within the District sufficient for said purposes; and that the issuance of the Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL EITHER A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas, or of the Registrar, has been manually executed hereon by such Comptroller (or his duly authorized deputy), or by the authorized representative of the

Registrar, as provided by the Resolution, this Bond shall not be entitled to the benefit and security of the Resolution nor be valid or obligatory for any purpose.

IN WITNESS WHEREOF, MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS has caused this Bond to be executed by the manual or facsimile signatures of the President or Vice President and Secretary or Assistant Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS  
/s/ Len Forsyth

\_\_\_\_\_  
President, Board of Directors

ATTEST:  
/s/ Brian C. Connolly

\_\_\_\_\_  
Secretary, Board of Directors  
(SEAL)

SECTION 5.02. CERTIFICATE OF REGISTRAR. The following form of Certificate of Registrar shall be printed on the face of each of the Bonds authenticated and delivered subsequent to the Initial Bonds:

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds issued under the provisions of the within-mentioned Resolution, and it is hereby further certified that this Bond has been authorized and delivered in conversion and exchange for, or in replacement of, a Bond, Bonds or portions thereof (or one or more prior conversion, exchange or replacement Bonds) originally issued by the issuer named in such Resolution, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas under Bond Register No. \_\_\_\_\_.

UMB Bank, n.a., Registrar

Dated: \_\_\_\_\_

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

Authorized Signature

SECTION 5.03. REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. In lieu of the Certificate of Registrar specified in Section 5.02 hereof, the registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on each of the Initial Bonds and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	
	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of Mason Creek Utility District of Harris County, Texas and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

\_\_\_\_\_

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

SECTION 5.04. FORM OF ASSIGNMENT. The following form of Assignment shall be printed on the back of each of the Bonds:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

\_\_\_\_\_  
(Social Security or other identifying number): \_\_\_\_\_ the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed  
By:  
\_\_\_\_\_

NOTICE: The signature on assignment must correspond with the name of the Registered Owner as it appears on the face of the within Bond in every particular.

The signature(s) must be guaranteed by an eligible guarantor institution (banks, stock-brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. Rule 17ad-15.

By: \_\_\_\_\_  
(Authorized Representative)

SECTION 5.05. CUSIP REGISTRATION. The officers and representatives of the District may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York.

SECTION 5.06. LEGAL OPINION. The approving opinion of the District's Bond Counsel may be printed on the Bonds over the certification of the Secretary of the Board of Directors which may be executed in facsimile.

(END OF ARTICLE FIVE)

## ARTICLE SIX

### SECURITY FOR THE BONDS

SECTION 6.01. SECURITY FOR BONDS. The Bonds are secured by and payable from the levy of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District.

SECTION 6.02. LEVY OF TAX. To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of assessing and collecting such taxes and making payments in respect of the Bonds, there is hereby levied, and shall be assessed and collected in due time, a continuing, direct, annual ad valorem tax without limit as to rate or amount, on all taxable property in the District for each year while any of the Bonds are outstanding. All of the proceeds of such collections, except expenses incurred in that connection, shall be paid into the Debt Service Fund, and the aforementioned tax and such payments into such Fund shall continue until the Bonds and the interest thereof have been fully paid and discharged, and such proceeds shall be used for such purposes and no other. While said Bonds, or any of them, are outstanding and unpaid, an ad valorem tax, each year at a rate from year to year as will be ample and sufficient to provide funds to pay the interest on said Bonds and to provide the necessary sinking fund to pay the principal and accrued interest on the Bonds when due, with full allowance being made for delinquencies and costs of collection, shall be levied, assessed and collected, and applied to the payment of principal and interest on the Bonds, as follows:

- (a) On or before October 1 in each year or as soon after that time as practicable, the Board shall consider the taxable property in the District and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year and levy the tax against all taxable property in the District.
- (b) In determining the actual rate to be levied in each year, the Board shall consider among other things:
  - (1) the amount which should be levied for the payment of the principal of or the interest, payment expenses and redemption price of each series of bonds or notes of the District payable in whole or in part from taxes, including, but not limited to, the Bonds, the Outstanding Bonds and any Additional Bonds; and
  - (2) the percentage of anticipated tax collections and the costs of assessing and collecting the taxes.
- (c) In determining the amount of taxes which should be levied each year, the Board may consider whether proceeds from the sale of bonds of the District have been capitalized or placed in escrow to pay interest during construction and whether the Board of Directors reasonably expects to have revenue or receipts available from other sources which are legally available to pay principal of or interest, payment expenses or redemption price on the District's bonds or notes payable in whole or in part from taxes.

In addition to the tax levied pursuant to this Section 6.02, the District may also levy from time to time taxes for maintenance and operation purposes, for contract obligations payable from taxes, and for any other purpose or purposes authorized by law.

SECTION 6.03. COLLECTION OF TAXES. So long as any of the Bonds remain outstanding, the District covenants that it will take such actions and use such measures as may be deemed appropriate under the circumstances to preserve and protect the existence and priority of its rights to and liens for the collection of delinquent taxes, including, but not limited to, where deemed appropriate, suits for collection of taxes and/or foreclosure of tax liens.

SECTION 6.04. MUNICIPAL ANNEXATION. The laws of the state of Texas require a city, town or village, including a Home Rule City, that annexes a municipal utility district to take over the properties and assets of the district and to assume all debts, liabilities and obligations of the district. When a district is so annexed and dissolved and the obligations of the district payable in whole or in part from ad valorem taxes become obligations of the annexing city, the governing body of the annexing city is thereafter required to levy and cause to be collected taxes on all taxable property within the city sufficient to pay the principal of and interest on the obligations of the district so assumed by the annexing city.

SECTION 6.05. CONSOLIDATION OF DISTRICT. The laws of the State of Texas permit the District to be consolidated with one or more other conservation and reclamation districts. In the event the District is consolidated with another such district or districts, the District reserves the right to:

- (a) Consolidate the System with a similar system of one or more such districts with which the District is consolidating and to operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").
- (b) Apply the net revenues from the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein, collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds, which shall continue to be subordinate to the first lien revenue bonds of the Consolidating Districts).
- (c) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on revenue bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien revenue bonds of the Consolidating Districts.

(END OF ARTICLE SIX)

## ARTICLE SEVEN

### FLOW OF FUNDS AND INVESTMENTS

SECTION 7.01. CREATION OF FUNDS. The creation of the District Debt Service Fund and Construction Fund pursuant to the Orders and Resolutions authorizing issuance of the District's Outstanding Bonds is hereby affirmed.

Each fund shall be kept separate and apart from all other funds of the District. To the extent provided by law the Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the Holders of the Bonds, and the owners or Holders of the Outstanding Bonds and Additional Bonds, if any, and shall be applied only to pay for the interest and principal on the Bonds, the Outstanding Bonds and any Additional Bonds and the fees and expenses of the Paying Agent and Registrar in respect of same, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds and any Additional Bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes shall become due. The Construction Fund shall be a trust fund which shall be used solely as provided in this Resolution.

SECTION 7.02. SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund maintained and administered by the Federal Deposit Insurance Corporation, or a successor insurance fund, shall be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts, having an aggregate market value, exclusive of accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

SECTION 7.03. DEPOSITS TO AND WITHDRAWALS FROM DEBT SERVICE FUND. The District shall deposit or cause to be deposited into the Debt Service Fund the aggregate of the following at the times specified:

- (a) As soon as practicable after the Initial Bonds are sold and delivered, accrued interest, if any, on the Initial Bonds from their date to the date of their delivery; and
- (b) To the extent that funds are not available in the Debt Service Fund, there shall be paid into the Debt Service Fund from taxes levied and collected pursuant to Section 6.02 hereof, not later than the fifth (5th) day preceding each Maturity Date or Interest Payment Date on the Bonds, an amount not less than that which is sufficient to pay the principal which matures and becomes payable on such date, the interest which accrues and becomes payable on such date, and the Paying Agent's fees and expenses for handling and making such payments on such date, and not later than two (2) days prior to such payment dates shall cause such amounts to be wire transferred, in immediately available funds to the Paying Agent.

SECTION 7.04. INVESTMENTS; EARNINGS. Moneys deposited in any fund may be invested or reinvested from time to time, but only in Authorized Investments. Except to the extent otherwise required to maintain compliance with the covenants set forth in Section 8.05 hereof, all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board of Directors, the profits realized from and the interest accruing on investments made from any fund may be transferred to the Debt Service Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event such fund does not have sufficient uninvested moneys on hand to meet the obligations payable out of such fund. The District shall not be responsible to the Holders for any loss arising out of the sale of any investments.

(END OF ARTICLE SEVEN)

## ARTICLE EIGHT

### APPLICATION OF BOND PROCEEDS

SECTION 8.01. BOND PROCEEDS. Proceeds from the sale of the Bonds will be disbursed in accordance with this Article.

SECTION 8.02. ACCRUED INTEREST. Moneys received from the Initial Purchaser of the Bonds representing accrued interest on the Initial Bonds, if any, from their date to the date of their actual delivery shall be deposited into the Debt Service Fund.

SECTION 8.03. INTEREST DURING CONSTRUCTION. It is affirmatively found that the period of construction of the improvements to be constructed with the proceeds from the sale of the Bonds will be at least six (6) months from the date or time the Initial Bonds are sold and delivered. To provide for the payment of interest on the Bonds during the period of construction there is hereby appropriated from the proceeds from the sale of the Bonds an amount sufficient to pay the interest on the Bonds for a period of six (6) months, which amount shall be deposited in the Debt Service Fund after the Bonds are sold and delivered.

SECTION 8.04. CONSTRUCTION FUND. The proceeds from the sale of the Bonds, as received, after making the deposits hereinbefore provided, shall be deposited into the Construction Fund and shall be used solely for the payment of the expenses incident to the issuance of the Bonds, including financial advisory, legal and engineering fees and expenses, and the costs of purchasing, constructing, acquiring, improving or extending the waterworks, surface water and sanitary sewer portions of the System. Any moneys remaining in the Construction Fund after completion of the improvements included in the Texas Commission on Environmental Quality (the "Commission") approval, including earned interest, shall be deposited into the Debt Service Fund or used for additional system improvements as approved by the Commission.

SECTION 8.05. FEDERAL INCOME TAX EXCLUSION.

(a) General. The District intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the District covenants and agrees to comply with each requirement of this Section 8.05; provided, however, that the District shall not be required to comply with any particular requirement of this Section 8.05 if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the District has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 8.05 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 8.05.

(b) No Private Payment and No Private Loan Financing. The District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) No Hedge Bonds. The District covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No Arbitrage. The District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the District will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

(f) Arbitrage Rebate. If the District does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other bond issues of the District or moneys which do not represent gross proceeds of any bonds of the District, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the

federal government. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The District covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) Record Retention. The District will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until three years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the District to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

(i) Registration. The Bonds will be issued in registered form.

(j) Continuing Obligation. Notwithstanding any other provision of this Resolution the District's obligations under the covenants and provisions of this Section 8.05 shall survive the defeasance and discharge of the Bonds.

SECTION 8.06. QUALIFIED TAX-EXEMPT OBLIGATIONS. The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In connection therewith, the District represents that:

- (a) the aggregate amount of tax-exempt obligations issued by the District during calendar year 2020, including the Bonds, which have been designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code, will not exceed \$10,000,000; and
- (b) the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2020, including the Bonds, will not exceed \$10,000,000.

For purposes of this Section 8.06, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section 8.05, the District includes all governmental units which are aggregated with the District under Section 265(b)(3) of the Code and covenants that it shall take all actions necessary to satisfy with respect to the Bonds and requirements of Section 265(b)(3) of the Code.

(END OF ARTICLE EIGHT)

ARTICLE NINE

ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01. ADDITIONAL BONDS. The District expressly reserves the right to issue, in one or more installments and for any other lawful purpose:

- (a) any remaining unissued bonds which were authorized at the elections described in paragraph (c) of Section 1.05 of this Resolution; and
- (b) such other bonds as may hereafter be authorized at subsequent elections.

SECTION 9.02. SPECIAL PROJECT BONDS. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds.

SECTION 9.03. REFUNDING BONDS. The District further reserves the right to issue any other refunding bonds in any manner permitted by law to refund the Bonds, the Remaining Outstanding Bonds and any Additional Bonds or additional revenue bonds, or any bonds the owners of which have consented to have refunded, and the refunding bonds so issued may enjoy complete equality of lien with the portion of the bonds not refunded, if any there be, and the refunding bonds so issued shall enjoy the equality of lien enjoyed with the bonds not refunded with regard to tax revenues, to the extent allowed by law.

(END OF ARTICLE NINE)

ARTICLE TEN

DEFAULT PROVISIONS

SECTION 10.01. REMEDIES IN EVENT OF DEFAULT. In addition to all of the rights and remedies provided by the laws of the State of Texas, the District further covenants and agrees that in the event of default in payment of principal or interest on any of the Bonds, when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution. Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power nor be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02. RESOLUTION IS CONTRACT. In consideration of the purchase and acceptance by the Holders of the Bonds authorized to be issued hereunder, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the District and the Holders, and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal benefit, protection and security of each of the Holders. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(END OF ARTICLE TEN)

## ARTICLE ELEVEN

### DISCHARGE BY DEPOSIT

SECTION 11.01. AUTHORITY AND PROCEDURE. The District may discharge its obligations to the Holders to pay principal and interest on the Bonds by depositing with the Paying Agent moneys which (together with interest earned on or profits to be realized from investments as described in Section 11.02) will be sufficient to pay principal, interest or redemption price to the Maturity Date or the Redemption Date of the Bonds. Upon such deposit, the Bonds and any interest accrued thereon shall no longer be regarded as outstanding and unpaid; provided, however, that if the Maturity Date on such Bonds shall not then have arrived, provision shall have been made by the District for the payment to the Holders at the date of maturity or at a Redemption Date in accordance with the provisions of this Resolution of the full amount to which the Holders would be entitled by way of principal, interest and redemption price and written notice thereof shall have been given to the Paying Agent, and provision shall have been made by the District for the mailing of written notice to the Holders that such moneys are so available for such payment.

SECTION 11.02. INVESTMENTS. Moneys held for payment in accordance with the provisions of Section 11.01 hereof shall be invested in direct obligations of the United States of America and in compliance with the provisions of the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code. Such investments shall mature in sufficient time, in the judgment of the District, to make available moneys needed for the purposes intended. Net interest or investment profits earned and paid on such investments may be paid to the District if sufficient money will otherwise remain on deposit with the Paying Agent to pay principal, interest or redemption price on the Bonds; otherwise, such interest on investment profits shall be used for payment of principal, interest or redemption price on the Bonds, and to the extent of such moneys and as permitted by law, may be considered as adequate provision for payment thereof.

(END OF ARTICLE ELEVEN)

## ARTICLE TWELVE

### MISCELLANEOUS PROVISIONS

#### SECTION 12.01. PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.

The District covenants to pay promptly the principal of, premium, if any, and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution, the Initial Bonds or in any Bond executed, authenticated and delivered hereunder.

#### SECTION 12.02. DISTRICT'S SUCCESSORS AND ASSIGNS.

Whenever in this Resolution the District is named and referred to, such naming or reference shall be deemed to include the District's successors and assigns, and all covenants and agreements in this Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of the District's successors and assigns whether or not so expressed.

#### SECTION 12.03. NO RECOURSE AGAINST DISTRICT OFFICERS.

No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any officer of the District or any person executing the Bonds.

#### SECTION 12.04. PAYING AGENT MAY OWN BONDS.

The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

#### SECTION 12.05. REGISTRARS AND SUCCESSOR REGISTRARS.

The initial Registrar in respect of the Bonds shall be UMB Bank, n.a., Austin, Texas. The District covenants that at all times while any Bonds are outstanding it will provide a commercial bank or trust company, organized under the laws of the United States or any state and authorized to serve as and perform the duties and services of Registrar for the Bonds. The District reserves the right to change the Registrar for the Bonds on not less than 30 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class, postage pre-paid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

#### SECTION 12.06. PAYING AGENT.

The initial Paying Agent in respect of the Bonds shall be UMB Bank, n.a., Austin, Texas. The District will maintain in the City of Austin, Texas, at least one (1) duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any State thereof, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. The District reserves the right to change the Paying Agent for the Bonds on not less than 30 days written notice to the Paying Agent, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the

appointment of any successor Paying Agent, the previous Paying Agent shall deliver the Register or copies thereof to the new Paying Agent, and the new Paying Agent shall notify each Owner, by United States mail, first class, postage pre-paid, of such change and of the address of the new Paying Agent. Each Paying Agent hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 12.07. REGISTRAR/PAYING AGENT. The form of agreement setting forth the duties of the Registrar and Paying Agent is hereby approved, and the appropriate officials of the District are hereby authorized to execute such agreement for and on behalf of the District.

SECTION 12.08. LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date, or Redemption Date for any Bonds shall be a legal holiday or a day on which banking institutions where the Paying Agent is located are authorized by law to close, then payment of principal, interest or redemption price need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date, or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.09. BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, firm or corporation, other than the District, the Paying Agent, the Registrar and the Holders, any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the District, the Paying Agent, the Registrar, and the Holders.

SECTION 12.10. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.11. ACCOUNTING. The District will keep proper records and accounts regarding the levy and collection of taxes, which records and accounts will be made available to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the District shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be made available to any Holder upon request.

SECTION 12.12. NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage pre-paid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.13. FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution.

SECTION 12.14. OFFICIAL STATEMENT. The District hereby approves the form and content and distribution of the Preliminary Official Statement and the supplement thereto prepared in the initial offering and sale of the Bonds and hereby authorizes the preparation of a final Official Statement reflecting the terms of this Resolution and other relevant information. The use of such final Official Statement by the Initial Purchaser is hereby approved and authorized and the proper officials of the District are authorized to sign such Official Statement.

SECTION 12. 15. CONTINUING DISCLOSURE. The District will provide to the MSRB through its EMMA or such other SEC method as the SEC may approve:

- (a) on an annual basis and within six months of its fiscal year end which is March 31, financial information and operating data regarding the District contained in the annual audited statement and report of the District and updated numerical financial information and operation data that is of the general type included in the Final Official Statement;
- (b) in a timely manner, notice of any of the following events with respect to the Bonds, if material within the meaning of the federal security laws to a decision to purchase or sell Bonds:
  - (i) Principal and interest payment delinquencies;
  - (ii) Non-payment related defaults;
  - (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (v) Substitution of credit or liquidity providers, or their failure to perform;
  - (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
  - (vii) Modifications to rights of Bond holders;
  - (viii) Bond calls;
  - (ix) Defeasances;
  - (x) Release, substitution or sale of property securing repayment of the securities;
  - (xi) Rating changes; and
- (c) in a timely manner, notice of a failure of the District to provide required annual financial information and operating data, on or before six months after the end of the District's fiscal year.

The accounting principles pursuant to which the District's financial statements are currently prepared are generally accepted accounting principles set out by the Government Accounting Standards Board, and, subject to changes in applicable law or regulations, such principles will be applied in the future.

If the District changes its fiscal year, it will notify the MSRB through its EMMA of the

change (and of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide annual financial information.

The District's obligation to update information and to provide notices of material events shall be limited to the agreements herein. The District shall not be obligated to provide other information that may be relevant or material to a complete presentation of its financial results of operations, conditions, or prospects and shall not be obligated to update any information that is provided, except as described herein. The District makes no representations or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. THE DISTRICT DISCLAIMS ANY CONTRACTUAL OR TORT LIABILITY FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ITS CONTINUING DISCLOSURE AGREEMENT OR FROM ANY STATEMENTS MADE PURSUANT TO ITS AGREEMENT. HOLDERS OR BENEFICIAL OWNERS OF BONDS MAY SEEK AS THEIR SOLE REMEDY A WRIT OF MANDAMUS TO COMPEL THE DISTRICT TO COMPLY WITH THIS AGREEMENT. No default by the District with respect to its continuing disclosure agreement shall constitute a breach of or default under this Order for purposes of any other provision of this Order. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities law.

The District may amend its continuing disclosure obligations and agreements in this Section to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District if the agreement, as amended, would have permitted the Purchaser to purchase or sell the Bonds in the original primary offering in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines the amendment will not materially impair the interests of the holders of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

The District's continuing obligation to provide annual financial information and operating data and notices of events will terminate if and when the District no longer remains an "obligated person" (as such term is defined in SEC Rule 15c2-12) with respect to the Bonds.

(END OF ARTICLE TWELVE)

## ARTICLE THIRTEEN

### SALE AND DELIVERY OF BONDS

SECTION 13.01. SALE OF BONDS. Sale of the Bonds is hereby awarded to Robert W. Baird & Co., Incorporated. (the "Initial Purchaser"), for the sum of \$2,616,349.15, representing 98.730% of the par value, plus accrued interest on the Bonds to the date of delivery, subject to the unqualified approving opinion as to the legality of the Initial Bonds of the Attorney General of the State of Texas and of Michael A. Cole, P.C., Bond Counsel for the District. It is hereby found and declared that the bid of the Initial Purchaser is the lowest and best obtained for the Bonds pursuant to and after taking public bids therefor, as required by law, and that the net effective interest rate resulting from said bid is 2.176123%, which is less than the maximum rate of 4.73% (two percent above the highest average interest rate reported by the Daily Bond Buyer in its "20 Bond Index" during the one-month period next preceding the date notice of sale of the Bonds is given) allowed under the requirements of the City of Houston, Texas, and the laws of the State of Texas.

SECTION 13.02. APPROVAL, REGISTRATION AND DELIVERY. The President and Secretary of the Board of Directors of the District and Bond Counsel for the District are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on the Initial Bonds. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Initial Purchaser, but only upon receipt of the full purchase price therefor.

(END OF ARTICLE THIRTEEN)

## ARTICLE FOURTEEN

### OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01. OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, carefully considered, and adopted at a regular meeting of the Board beginning at 7:30 o'clock, p.m., on February 12, 2020, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the District and was timely posted on the District's website for the time required by law preceding this meeting, as required by the Open Meetings Law, Section 551, Texas Government Code and Chapter 49, Texas Water Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter hereof has been discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02. EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage.

(END OF ARTICLE FOURTEEN)

PASSED AND APPROVED THIS 12<sup>th</sup> day of February, 2020.

/s/ Len Forsyth  
\_\_\_\_\_  
President, Board of Directors  
Mason Creek Utility District of  
Harris County, Texas

ATTEST:

/s/ Brian C. Connolly  
\_\_\_\_\_  
Secretary, Board of Directors  
Mason Creek Utility District of  
Harris County, Texas  
(SEAL)

March 8, 2020

FIRST DRAFT

Vicky Ossoinik  
Tristan Rosenkranz  
Robert W. Baird & Co.  
777 E. Wisconsin Avenue, 25<sup>th</sup> Floor  
Milwaukee, WI 53202

Re: Mason Creek Utility District (the "District")  
\$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Bonds")

Dear Ms. Ossoinik:

Delivery of the Bonds is scheduled for **Wednesday, March 18, 2020, at 10:00 a.m., Houston Time**, at the offices of UMB Bank, N.A., Houston, Texas. Funds in the amount of \$2,618,927.44 should be wired or otherwise transferred for immediate credit to UMB Bank N.A., 928 Grand Blvd., 4<sup>th</sup> Floor, Kansas City, MO 64106, ABA 101 000 695, A/C 980 000 6823, Acct Name: Trust Operations, Re: Mason Creek UD Bonds 2020, Attn: Shazia Flores (713-300-0586). The total amount of funds to be wired is calculated as follows:

Principal Amount of Bonds	\$2,650,000.00
Less: Underwriter's Discount	(33,650.85)
Plus: Accrued Interest	<u>2,578.29</u>
Underwriter's Purchase Price	<u><u>\$2,618,927.44</u></u>

We understand you will pay for the Assured Guaranty Municipal Corp. insurance policy by separate wire transfer of the insurance premium of \$10,600.00 on or before the date of closing, which premium is to be wired to The Bank of New York, ABA 021 000 018, Acct Name: Assured Guaranty Municipal Corp., Acct No: 890 029 7263, re: Policy No: \_\_\_\_\_.

The Frost National Bank good faith check No. 070 585, in the amount of \$53,000 will be returned to you on the date of closing.

If you have any questions, please call.

Sincerely,

Bill Blitch  
cc: Distribution List

March 8, 2020

FIRST DRAFT

Shazia Flores  
UMB Bank, n.a.  
5555 San Felipe St, Suite 870  
Houston, TX 77056

Re: Mason Creek Utility District (the "District")  
\$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Bonds")

Dear Ms. Flores:

Delivery of the Bonds is scheduled for **Wednesday, August 10, 2011, at 10:00 a.m., Houston Time**, at your offices. Robert W. Baird & Co., Incorporated, the underwriter, as payment for the Bonds, will wire transfer in immediately available funds the amount of \$2,618,927.44 to your attention on the day of closing, for distribution as follows:

Wire Funds to Tradition Bank, ABA No. 113 008 083, Account No. 1606 0806, Mason Creek Utility District Debt Service Fund (accrued interest)	\$2,578.29
Wire Funds to Tradition Bank, ABA No. 113 008 083, Account No. 1606 0814, Mason Creek Utility District Construction Fund	2,420,000.00
Retain for Issuance Costs and Contingencies	<u>196,349.15</u>
<b>TOTAL</b>	<b><u>\$2,618,927.44</u></b>

After paying Issuance Costs on only those expenses for which you have been provided an invoice, please wire transfer the balance to the Construction Fund, wiring instructions above. If you have any questions, please call.

If you have any questions, please call.

Sincerely,

Bill Blich  
cc: Distribution List

## Mason Creek Utility District Distribution List

### **Bond Counsel:**

Michael A. Cole  
Cindy Nichols  
5120 Bayard Lane  
Houston, TX 77006-6512

Telephone: (713) 880-3800  
Facsimile: (713) 880-1417  
e-mail: mac@maclawpc.com  
e-mail: cindy@maclawpc.com

### **General Counsel:**

James L Dougherty, Jr.  
12 Greenway Plaza, Suite 1100  
Houston, TX 77046

Telephone: (713) 880-8808  
  
e-mail: jim@jldjr.com

### **Financial Advisor:**

Bill Blitch  
Blitch Associates, Inc.  
11111 Katy Freeway, Suite 820  
Houston, Texas 77079-2118

Telephone: (713) 467-7344  
Facsimile: (713) 467-3448  
  
e-mail: bill@blitchassociates.com

### **Paying Agent/Registrar**

Shazia Flores  
5555 San Felipe St, Suite 870  
Houston, TX 77056

Telephone: (713) 300-0586  
  
e-mail: shazia.flores@umb.com

### **Disclosure Counsel:**

Marcus Deitz  
Orrick, Herrington & Sutcliffe LLP  
609 Main Street, 40<sup>th</sup> Floor  
Houston, TX 77002-3106

Telephone: (713) 658-6420  
  
e-mail: mdeitz@orrick.com

### **Underwriter:**

Vicky Ossoinik  
Geoff Kuczmariski  
Tristan Rosenkranz  
Moises Gomez  
Robert W. Baird & Co.  
777 E. Wisconsin Avenue, 25<sup>th</sup> Floor  
Milwaukee, WI 53202

Telephone: (414) 765-3725  
Telephone: (414) 765-7331  
Telephone: (414) 765-7331  
  
e-mail: vossoinik@rwbaird.com  
e-mail: gkuczmariski@rwbaird.com  
e-mail: trosenkranz@rwbaird.com  
e-mail: mgomez@rwbaird.com

### **Bookkeeper:**

Carol Rochetti  
Municipal Accounting & Consulting  
1281 Brittmoore Road  
Houston, TX 77043

Telephone: (713) 623-4539  
  
e-mail: crochetti@municipalaccounts.com

### **Municipal Bond Insurance:**

Audrey Udit-Adler, Closing Coordinator  
Municipal Assurance Corp.  
1633 Broadway, 24<sup>th</sup> Floor  
New York, NY 10019

Telephone: (212) 339-3548  
  
e-mail: audit-adler@agltd.com

**MASON CREEK UTILITY DISTRICT - ISSUANCE EXPENSES**

Bond Counsel--Michael A. Cole (Estimate) (Wire to Prosperity Bank, 5020 Montrose Blvd, Suite 200, Houston, TX 77006 (281) 564-3600, ABA No. 113 122 655, A/C #1604 0066, Michael A. Cole, P.C., 5120 Bayard Lane, Houston, TX 77006 (713) 880-3800)	\$68,000.00
Financial Advisor--Blitch Associates, Inc. (Estimate) (Wire to First Community Credit Union, ABA 313 084 674, for final credit to Blitch Associates, Inc., Acct 002 180 3602, Re: Greenwood 2020 or mail check to Blitch Associates, Inc, 11111 Katy Freeway, Suite 820, Houston, Texas 77079- 2118.)	46,375.00
Disclosure Counsel--Orrick, Herrington & Sutcliffe LLP (Estimate) (Wire to Wells Fargo, 420 Montgomery Street, San Francisco, CA 94104, ABA No. 121 000 248, Account of Orrick, Herrington & Sutcliffe LLP, Account No. 412 370 1088, Reference _____)	8,000.00
CUSIP Numbers--CUSIP Global Services (Final) (Wire to Bank of America/Chicago, Illinois, S&P Global Market Intelligence Account No. 81880 68164, ABA No. 026 009 593, re: Invoice No 240 009 1002)	696.00
Printing Official Statement--Southwest Precision Printers, L.P. (Final) (Mail check to Southwest Precision Printers, L.P., 1055 Conrad Sauer, Houston, TX 77043, re: Invoice No. 20200801-01)	3,589.18
Rating Fee--Standard & Poor's (Final) (Wire to Bank of America, ABA 026 009 593, S&P Global Ratings, Acct # 12334- 02500, Invoice No. 1138 6770)	12,000.00
Tax Review--Bob Leared Interests (Estimate) (Mail to Stacey Hastings, Bob Leared Interests, 11111 Katy Freeway, Suite 725, Houston, TX 77079-2197)	1,500.00
TCEQ Fee--Texas Commission on Environmental Quality (Estimate) (Mail check to Texas Commission on Environmental Quality, Revenue Section, Cashier's Office (MC-214), P. O. Box 13088, Austin, TX 78711-3088)	6,625.00
Paying Agent fees--UMB Bank, N.A.	500.00
Remaining For Additional Invoices	<u>49,063.97</u>
<b>Total</b>	<b><u>\$196,349.15</u></b>

# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

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

Mason Creek Utility District of Harris County, Texas

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

02/12/2020

(Date)

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

Ladies and Gentlemen:

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

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

~~[incorporated in]~~ formed under the laws of Texas.

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

Very truly yours,

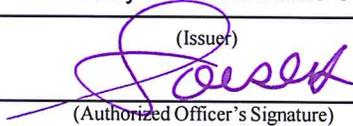
Note:

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

Mason Creek Utility District of Harris County, Texas

(Issuer)

By:

  
(Authorized Officer's Signature)

Len Forsyth

(Print Name)

847 Dominion

(Street Address)

Katy, Texas 77450

(City)

(State)

(Country)

(Zip Code)

281-578-7272

(Phone Number)

  
(E-mail)

**DTCC**

Address)

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

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

CERTIFICATE

THE STATE OF TEXAS       §  
  §  
COUNTY OF HARRIS       §

I, the undersigned, a duly licensed professional engineer under the laws of the State of Texas, and a member of Venturi Engineers LLC, the duly appointed and acting engineers for MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, do hereby certify that the boundaries of said District have not changed since the issuance of the District's \$2,350,000 Unlimited Tax Bonds, Series 2011.

WITNESS MY HAND AND SEAL this 13<sup>th</sup> day of January, 2020.

Jose M. de Leon  
Licensed Professional Engineer  
Registration Number 114239

(SEAL)



*Jose M de Leon*  
Venturi Engineers LLC  
F-16758

**CONSTRUCTION CERTIFICATE**

**THE STATE OF TEXAS** §  
§  
**COUNTY OF HARRIS** §

I, the undersigned, a duly licensed professional engineer under the laws of the State of Texas, and a member of Venturi Engineers LLC, the duly appointed and acting engineers for MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS in connection with the issuance by said District of \$2,650,000 Unlimited Tax Bonds, Series 2020 (the "Bonds"), do certify that:

- 1) The necessary approvals for waterworks and sanitary sewer improvements to be constructed with the proceeds of the Bonds have been received from the Texas Commission on Environmental Quality, the City of Houston, Harris County, and all other regulatory or supervising agencies having jurisdiction at the time such approvals are obtained.
- 2) I estimate that the time required to complete said facilities will be six (6) months after the District receives the proceeds of the sale of the Bonds.

WITNESS MY HAND AND SEAL this 13<sup>th</sup> day of January, 2020.

Jose M. de Leon  
Licensed Professional Engineer  
Registration Number 114239

(SEAL)



Venturi Engineers LLC  
F-16758

**ENGINEER'S PROJECTION CERTIFICATE**

**THE STATE OF TEXAS** §  
§  
**COUNTY OF HARRIS** §

I, the undersigned, a duly licensed professional engineer under the laws of the State of Texas, and a member of Venturi Engineers LLC, the duly appointed and acting engineers for MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS (the "District"), do hereby certify that the attached cost estimate of the District's improvements to the water, sanitary sewer and drainage systems of the District as prepared by Venturi Engineers LLC, represents the best estimate of the costs associated with the described facilities at the time of submission of the Bond Application to the Texas Commission on Environmental Quality. In addition, the attached projection of the anticipated income and expenses for the District's improvements and valuations within the District for the years 2020 through 2039 are our best estimate of these values based on the information available to us at the time of submission of the Bond Application, in connection with the Texas Commission on Environmental Quality's review and approval of the District's Series 2020 Bonds.

WITNESS MY HAND AND SEAL this 13<sup>th</sup> day of January, 2020.

Jose M. de Leon  
Licensed Professional Engineer  
Registration Number 114239



Venturi Engineers LLC  
F-16758

## ITEMIZED COST BREAKDOWN – ITEM 1

### BRONDESBURY DR. LIFT STATION CONVERSION

*To Serve Mason Creek Utility District*

ITEM No.	DESCRIPTION	QTY.	UNIT	UNIT COST	TOTAL
1.	Insurance, Bonds, Permits, and Mobilization.	1	LS	\$ 30,000.00	\$ 30,000.00
2.	Bypass pumping, including installation of permanent bypass fittings, including all appurtenances for a working unit, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 150,000.00	\$ 150,000.00
3.	Remove and dispose of existing discharge piping, pumps, pump pads, footings, vents, exhaust duct, staircase, and all appurtenances inside the dry well, as well as the jib crane footing, vent hatches, pump hatches, and access hatch on the roof and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 50,000.00	\$ 50,000.00
4.	Install new deck 2'-0" above its existing elevation with 4,000 psi reinforced concrete top, including float and transducer hand holes, access hatches with safety grates, vent pipe, any additional holes for discharge and valve piping and other penetrations, as well as an extended slab for the above ground header piping, and all appurtenances as shown on plans and specifications. Complete in Place.	1	LS	\$ 200,000.00	\$ 200,000.00
5.	Structural demolition and reinforcement needed to convert to a full submersible lift station, as shown on plans, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 20,000.00	\$ 20,000.00
6.	Abandonment of existing 12-inch force main, as shown on plans.	1	LS	\$ 5,000.00	\$ 5,000.00
7.	Removal and proper disposal of any wet well solids, sludge, debris, and fluids from existing wet well, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 5,000.00	\$ 5,000.00
8.	Protective coating of proposed concrete wet well ceiling and walls, including surface preparation and application of protective coating, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 85,000.00	\$ 85,000.00
9.	Provide and install three (3) 150 HP submersible pumps including stainless steel guide rails, discharge piping, valves, coatings, mechanical pump and piping supports, electrical cable, vent pipe, lifting chains, and all appurtenances, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 150,000.00	\$ 150,000.00
10.	Abandonment of unused existing wet well, including removal of concrete as specified and backfill with cement stabilized sand, as shown on plans.	1	LS	\$ 15,000.00	\$ 15,000.00
11.	Grout wet well floors, sloping upwards from pumps, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 10,000.00	\$ 10,000.00
12.	Removal of the existing MCC, automatic transfer switch, service rack, floodlight, dry pit lights, receptacles, conduit, conductors, and related duct bank, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 5,000.00	\$ 5,000.00
13.	Installation of a new electrical system including but not limited to a new service rack, main disconnect, automatic transfer switch, floodlight, control panel, terminal boxes, control devices, duct bank, conduit, conductors, and all other appurtenances, and all other items shown on plans and specifications for a complete operating system. Complete in Place.	1	LS	\$ 15,000.00	\$ 15,000.00
14.	Connection of proposed discharge piping to existing 12-inch force main, including all below ground piping, fittings, thrust blocks, restraining joints, excavation, cement stabilized sand backfill, and backfill, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 10,000.00	\$ 10,000.00
<b>TOTAL</b>					<b>\$ 750,000.00</b>



## ITEMIZED COST BREAKDOWN – ITEM 2

### RENNIE DR. LIFT STATION CONVERSION

*To Serve Mason Creek Utility District*

ITEM No.	DESCRIPTION	QTY.	UNIT	UNIT COST	TOTAL
1.	Insurance, Bonds, Permits, and Mobilization.	1	LS	\$ 30,000.00	\$ 30,000.00
2.	Bypass pumping, including installation of permanent bypass fittings, including all appurtenances for a working unit, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 150,000.00	\$ 150,000.00
3.	Remove and dispose of existing discharge piping, pumps, pump pads, footings, vents, exhaust duct, staircase, and all appurtenances inside the dry well, as well as the jib crane footing, vent hatches, pump hatches, and access hatch on the roof and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 50,000.00	\$ 50,000.00
4.	Install float and transducer hand holes on existing deck, including access hatches with safety grates, vent pipe, any additional holes for discharge and valve piping and other penetrations, as well as an extended slab for the above ground header piping, and all appurtenances as shown on plans and specifications. Complete in Place.	1	LS	\$ 100,000.00	\$ 100,000.00
5.	Structural demolition and reinforcement needed to convert to a full submersible lift station, as shown on plans, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 20,000.00	\$ 20,000.00
6.	Abandonment of existing 14-inch force main, as shown on plans.	1	LS	\$ 5,000.00	\$ 5,000.00
7.	Removal and proper disposal of any wet well solids, sludge, debris, and fluids from existing wet well, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 5,000.00	\$ 5,000.00
8.	Protective coating of proposed concrete wet well ceiling and walls, including surface preparation and application of protective coating, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 80,000.00	\$ 80,000.00
9.	Provide and install three (3) 150 HP submersible pumps including stainless steel guide rails, discharge piping, valves, coatings, mechanical pump and piping supports, electrical cable, vent pipe, lifting chains, and all appurtenances, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 150,000.00	\$ 150,000.00
10.	Abandonment of unused existing wet well, including removal of concrete as specified and backfill with cement stabilized sand, as shown on plans.	1	LS	\$ 15,000.00	\$ 15,000.00
11.	Grout wet well floors, sloping upwards from pumps, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 10,000.00	\$ 10,000.00
12.	Removal of the existing MCC, automatic transfer switch, service rack, floodlight, dry pit lights, receptacles, conduit, conductors, and related duct bank, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 50,000.00	\$ 50,000.00
13.	Installation of a new electrical system including but not limited to a new service rack, main disconnect, automatic transfer switch, floodlight, control panel, terminal boxes, control devices, duct bank, conduit, conductors, and all other appurtenances, and all other items shown on plans and specifications for a complete operating system. Complete in Place.	1	LS	\$ 30,000.00	\$ 30,000.00
14.	Connection of proposed discharge piping to existing 14-inch force main, including all below ground piping, fittings, thrust blocks, restraining joints, excavation, cement stabilized sand backfill, and backfill, and all other items shown on plans and specifications. Complete in Place.	1	LS	\$ 5,000.00	\$ 5,000.00
<b>TOTAL</b>					<b>\$ 700,000.00</b>



**ITEMIZED COST BREAKDOWN – ITEM 3**

**ELLINGHAM SANITARY SEWER REHABILITATION**

*To Serve Mason Creek Utility District*

ITEM No.	DESCRIPTION	QTY.	UNIT	UNIT COST	TOTAL
1.	Mobilization, Insurance, Bonds, Permits, Harris County Notification.	1	LS	\$ 30,000.00	\$ 30,000.00
2.	Clearing and Grubbing, as necessary.	1	LS	\$ 15,000.00	\$ 15,000.00
3.	Repair Existing Sanitary Sewer Manholes (City of Houston Standard Detail).	1	LS	\$ 30,000.00	\$ 30,000.00
4.	Pipe Burst/Crush Ex. 10" Diam. Concrete Sanitary Sewer Pipe with 10" HDPE/SDR1, including excavation and backfill for access Pits. Complete in Place.	2,100	LF	\$ 100.00	\$ 262,500.00
5.	Reconnection of all Sanitary Service Laterals. Complete in Place.	35	EA	\$ 1,000.00	\$ 35,000.00
6.	Replace existing fence and landscaping.	1	LS	\$ 75,000.00	\$ 75,000.00
7.	Testing of all new Sanitary Sewer Pipe.	1	LS	\$ 30,000.00	\$ 30,000.00
8.	Cleaning and televising of all new Sanitary Sewer Pipe and repairs.	1	LS	\$ 12,500.00	\$ 12,500.00
9.	By-pass pumping.	30	DAY	\$ 1,000.00	\$ 30,000.00
10.	Trench Safety, Complete in Place.	1	LS	\$ 30,000.00	\$ 30,000.00
<b>TOTAL</b>					<b>\$ 550,000.00</b>



► Under Internal Revenue Code section 149(e)  
► See separate instructions.

Department of the Treasury  
Internal Revenue Service

**Caution:** If the issue price is under \$100,000, use Form 8038-GC.  
► Go to [www.irs.gov/F8038G](http://www.irs.gov/F8038G) for instructions and the latest information.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Mason Creek Utility District of Harris County, Texas</b>		2 Issuer's employer identification number (EIN) <b>2202896</b>	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) <b>Michael A. Cole</b>		3b Telephone number of other person shown on 3a <b>713-880-3800</b>	
4 Number and street (or P.O. box if mail is not delivered to street address) <b>847 Dominion</b>		5 Report number (For IRS Use Only) <b>3</b>	
6 City, town, or post office, state, and ZIP code <b>Katy, Texas 77450</b>		7 Date of issue <b>03/18/2020</b>	
8 Name of issue <b>Mason Creek Utility District of Harris County, Texas Unlimited Tax Bonds, Series 2020</b>		9 CUSIP number <b>575203GVO</b>	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)		10b Telephone number of officer or other employee shown on 10a	

<b>Part II Type of Issue (enter the issue price).</b> See the instructions and attach schedule.			
11 Education		11	
12 Health and hospital		12	
13 Transportation		13	
14 Public safety		14	
15 Environment (including sewage bonds)		15	
16 Housing		16	
17 Utilities		17	2,662,889 15
18 Other. Describe ►		18	
19a If bonds are TANs or RANs, check only box 19a <input type="checkbox"/>			
b If bonds are BANs, check only box 19b <input type="checkbox"/>			
20 If bonds are in the form of a lease or installment sale, check box <input type="checkbox"/>			

<b>Part III Description of Bonds.</b> Complete for the entire issue for which this form is being filed.				
(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21 08/01/2039	\$ 2,662,889.15	\$ 2,650,000.00	13.4973 years	2.07245296 %

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>				
22 Proceeds used for accrued interest		22	2,578	29
23 Issue price of entire issue (enter amount from line 21, column (b))		23	2,662,889	15
24 Proceeds used for bond issuance costs (including underwriters' discount)	24 234,599	44		
25 Proceeds used for credit enhancement	25 0			
26 Proceeds allocated to reasonably required reserve or replacement fund	26 0			
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V	27 0			
28 Proceeds used to refund prior taxable bonds. Complete Part V	28 0			
29 Total (add lines 24 through 28)		29	234,599	44
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30	2,428,289	71

<b>Part V Description of Refunded Bonds.</b> Complete this part only for refunding bonds.	
31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	_____ years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	_____ years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	_____
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	_____

**Part VI Miscellaneous**

- 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . . 

35		
36a		
37		
- 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions . . . . .
- b Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) \_\_\_\_\_
- c Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37 Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .
- 38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶  and enter the following information:
  - b Enter the date of the master pool bond ▶ (MM/DD/YYYY) \_\_\_\_\_
  - c Enter the EIN of the issuer of the master pool bond ▶ \_\_\_\_\_
  - d Enter the name of the issuer of the master pool bond ▶ \_\_\_\_\_
- 39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . ▶
- 40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ▶
- 41a If the issuer has identified a hedge, check here ▶  and enter the following information:
  - b Name of hedge provider ▶ \_\_\_\_\_
  - c Type of hedge ▶ \_\_\_\_\_
  - d Term of hedge ▶ \_\_\_\_\_
- 42 If the issuer has superintegrated the hedge, check box . . . . . ▶
- 43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ▶
- 44 If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ▶
- 45a If some portion of the proceeds was used to reimburse expenditures, check here ▶  and enter the amount of reimbursement . . . . . ▶ \_\_\_\_\_
- b Enter the date the official intent was adopted ▶ (MM/DD/YYYY) 10/16/2019

<b>Signature and Consent</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	Signature of issuer's authorized representative	Date <u>8/14/20</u>	Michael A. Cole, Bond Counsel Type or print name and title		
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

GENERAL CERTIFICATE

THE STATE OF TEXAS   §  
  §  
COUNTY OF HARRIS   §

We, the undersigned, President and Secretary, respectively of the Board of Directors of Mason Creek Utility District of Harris County, Texas (the "District") do hereby make and execute this certificate for the benefit of the Attorney General of the State of Texas, the Texas Commission on Environmental Quality (the "Commission"), and all other persons interested in the District's \$2,650,000 Unlimited Tax Bonds, Series 2020, initially dated as of March 1, 2020 ("the Bonds") now in the process of issuance. We certify the following:

- (1) That the District has been heretofore duly created and organized and is presently existing in good standing under the Constitution and laws of the State of Texas.
  
- (2) That:
  - (a) From June 29, 2011, the date of the General Certificate submitted to the Attorney General in connection with approval of the District's Series 2011 Bonds, until present, the Board of Directors of the District is composed of the following persons, each of whom served in the capacity indicated:

Len Forsyth	President
James G. Hamblet, III	Vice President
Brian C. Connolly	Secretary/Treasurer
John H. Cameron	Assistant Secretary/Treasurer
Robert J. Wills	Director

- (3) That the mailing address and expiration dates of the terms of office of the members of the Board of Directors, respectively, are the following:

<u>Name</u>	<u>Address</u>	<u>Expiration Date</u>
Len Forsyth	1602 Hannington Kathy, Texas 77450	05/2022
James G. Hamblet, III	1146 Shillington Katy, Texas 77450	05/2020
Brian C. Connolly	20706 Sea Pine Drive Katy, Texas 77450	05/2020
John H. Cameron	1602 Hoveden Drive Katy, Texas 77450	05/2020
Robert J. Wills	20214 Kings Camp Katy, Texas 77450	05/2022

- (4) That since the organization of the District, each member of the Board of Directors has duly qualified as a member of the Board of Directors by executing the bond required by law and by taking the oath of office prescribed by the constitution for public officers; that each such bond was duly approved by the Board of Directors of the District; and that each such bond and oath are filed and retained in the District's records and filed with the Secretary of State.
- (5) That the taxable value for the District for the tax year 2019 was assessed by the Harris County Appraisal District, and the tax assessor/collector of the District for the year 2019 is Bob Leared of Bob Leared Interests.
- (6) That according to the certification of the Harris County Appraisal District, acting by and through its Chief Appraiser, dated as of September 3, 2019, the District's duly certified taxable value for the tax year 2019, net of all adjustments to date and exclusive of properties whose value are under protest, is \$593,336,273.
- (7) That the boundaries of the District have not been altered since the issuance of the District's 2011 Bonds. No part of the District is within the corporate limits of any city, town or village, and all of the land within the District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas.
- (8) That the present rate order of the District for service furnished by the waterworks and sanitary sewer system of the District, dated September 11, 2019, is summarized as follows:

WATER

Residential:

First 3,000 gallons	\$20.58 (minimum)
3,001 to 10,000 gallons	\$ 2.03/1,000 gallons
10,001 to 15,000 gallons	\$ 3.08/1,000 gallons
15,001 to 20,000	\$ 3.39/1,000 gallons
Over 20,000	\$ 5.22/1,000 gallons

Commercial:

<u>Meter Size</u>	<u>Minimum Monthly Charge</u>
5/8" or 3/4"	\$ 28.72
1"	\$ 36.77
1 1/2"	\$ 54.57
2"	\$ 71.80
3"	\$126.37
4"	\$201.06
6"	\$373.38
8"	\$631.88

Plus \$2.92 per 1,000 gallons for all usage over the minimum monthly quantity. The minimum monthly quantity is 6,000 gallons.

Back-up Connections; Unmetered Fire Connections:

<u>Meter/Line Size</u>	<u>Minimum Monthly Charge</u>
4"	\$ 57.62
6"	\$109.07
8"	\$170.81

Plus \$3.60 per 1,000 gallons for all usage over the minimum monthly quantity. The minimum monthly quantity is 6,000 gallons.

Multiple Meters; Irrigation or "Water Only" Meters:

0 to 5,000 gallons	\$ 2.03/1,000 gallons
5,001 to 10,000 gallons	\$ 3.08/1,000 gallons
10,001 to 17,000	\$ 3.39/1,000 gallons
Over 17,000	\$ 5.22/1,000 gallons

In addition the District charges its customers for water consumed an amount equal to that charged to the District for water pumped, which is currently \$1.06 per thousand gallons of water.

SEWER

Residential:

First 3,000 gallons	\$21.42 (minimum)
3,001 to 10,000	\$2.01/1,000 gallons
10,001 to 15,000	\$2.82/1,000 gallons
15,001 to 20,000 gallons	\$3.10/1,000 gallons
Over 20,000 gallons	\$3.10/1,000 gallons

Commercial:

First 6,000 gallons	\$21.42 (minimum)
Each 1,000 gallons thereafter	\$ 4.08

- (9) That none of the proceeds to be derived from the sale of the District's \$2,650,000 Unlimited Tax Bonds, Series 2020 now in process of issuance, will be used for the purchase, acquisition or installation of any fire fighting equipment or facilities, fire engines, fire stations, fire hoses or any other fire fighting equipment of any kind.
- (10) The data required by Section 49.010 and former Sections 50.102 - 50.104 (current Sections 49.054, 49.154, and 49.453-49.455), Texas Water Code, as amended, has heretofore been furnished to the Texas Commission on Environmental Quality.
- (11) That other than the remaining outstanding portion of the District's \$2,350,000 Unlimited Tax Bonds, Series 2011, dated August 1, 2011 of which \$1,590,000 in aggregate principal amount presently remain outstanding (the "Outstanding Bonds"),

and the District's Bonds now in the process of issuance, the District has no outstanding indebtedness payable from taxes.

- (12) That neither the revenues nor the properties of the District's waterworks and sanitary sewer system have been in any way pledged or hypothecated, except to the extent that the net revenues thereof are pledged to the payment of the Outstanding Bonds.
- (13) That the District is not in default in the observance or performance of any of the covenants or other conditions in the Resolution authorizing the issuance of the Bonds or in the resolution authorizing the issuance of the Outstanding Bonds.
- (14) That the Board of Directors of the District has never adopted or given notice of the adoption of a resolution limiting the District's indebtedness.
- (15) That the District has not leased any of its facilities to any person, firm or corporation, and no such lease has ever been in existence.
- (16) That no part of the District is within the corporate limits of any city, town or village, and all of the land within the District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas, and the District is in compliance with the City of Houston's ordinance granting consent to the creation of the District.
- (17) That the District has received a copy of the Order of the Commission, dated December 17, 2019 approving the Series 2020 Bonds and the District is presently in compliance with and will continue to comply with the provisions of said Order.
- (18) In connection with the December 4, 1993 bond election authorizing the issuance of additional bonds of the District in the maximum amount of \$7,500,000.00 for waterworks, sanitary sewer and drainage and storm sewer facilities, there was no change affecting voting rights. That, to the extent applicable to the District, all requirements of the Voting Rights Act of 1965, as amended, and the Texas Election Code, as amended, have been met and complied with by the District.
- (19) That, with respect to the action of the Executive Director of the Commission dated December 17, 2019 approving the Bonds:
  - (a) no motion to overturn the Executive Director's action has been filed; and
  - (b) the District has not been notified that the TCEQ or its General Counsel has extended the period of time to file a motion to overturn the executive director's action.
- (20) That the District is in compliance with the provisions of Texas Government Code 2252.908 and the rules of the Texas Ethics Commission.

WITNESS OUR HANDS AND THE OFFICIAL SEAL OF THE DISTRICT, this  
12 day of February, 2020.



\_\_\_\_\_  
President, Board of Directors  
MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS



\_\_\_\_\_  
Secretary, Board of Directors  
MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

(SEAL)

Harris County Appraisal District  
Houston, Texas

CERTIFIED SUMMARY OF 2019 APPRAISAL ROLL VALUE

for

MASON CREEK UD

THE STATE OF TEXAS, }

COUNTY OF HARRIS. }

The following is a true and correct summary of the appraised and taxable value of the real and personal property taxable by the above-named unit and currently included on the appraisal roll of the Harris County Appraisal District for the year 2019:

	APPRAISED	TAXABLE
Certified Roll:	\$ 795,043,284	\$ 593,336,273
Supplement(s) and Correction(s) to Date:	\$ 63,152,986	\$ 53,516,052
Total Certified to Date:	\$ 858,196,270	\$ 646,852,325

These additional values, not yet on the approved appraisal roll, are subject to Appraisal Review Board action:

APPRAISED	26.01(c) VALUE
\$ 1,577,789	\$ 394,880

To certify which witness my hand and seal of the Harris County Appraisal District this the 20<sup>th</sup> day of December, 2019.



A handwritten signature in black ink, appearing to read "Roland Altinger".

ROLAND ALTINGER, CAE, RPA, CTA  
Chief Appraiser

## PAYING AGENT/REGISTRAR AGREEMENT

THIS P AYING AGENT/REGISTRAR AGREEMENT entered into as of 12<sup>th</sup> day of February, 2020 (the “*Agreement*”) is between the Mason Creek Utility District of Harris County, Texas (the “*Issuer*”) and UMB Bank, n.a., a national banking association duly organized and existing under the laws of the United States of America and qualified to transact business in the State of Texas (the “*Bank*”).

### RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its “Unlimited Tax Bonds, Series 2020 (the “*Securities*”), dated March 1, 2020, in the aggregate original principal amount of \$2,650,000.00 to be issued as registered securities without coupons;

All things necessary to make the Securities the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal, premium (if any) and interest on the Securities, in accordance with the terms thereof, and that the Bank act as Registrar for the Securities;

The Issuer has duly authorized the execution and delivery of this Agreement, and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

### ARTICLE 1 APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

#### Section 1.1. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Securities, in order to pay when due, the principal, premium (if any), and interest on all or any of the Securities to the Holders of the Securities, all in accordance with this Agreement and the Ordinance (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities.

The Bank hereby accepts is appointment, and agrees to act as the Paying Agent and the Registrar.

Section 1.2. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the Issuer on or before ninety (90) days prior to the close of the Fiscal Year of the Issuer and which shall be effective upon the first day of the following Fiscal Year. The Issuer covenants to provide notice to the Bank upon any change in the Issuer's Fiscal Year within ten (10) business days of the governing body of the Issuer's decision to change the Fiscal Year of the Issuer.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE 2  
DEFINITIONS

Section 2.1. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

*Acceleration Date* of any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

*Bank Office* means the corporate trust office of the Bank set forth on the signature page of this Agreement. The Bank will notify the Issuer, in writing, of any change in location of the Bank Office.

*Fiscal Year* means the fiscal year of the Issuer, which currently begins on July 1 and ends on June 30 of eachh year.

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

*Issuer Request and Issuer Order* means a written request or order signed in the name of the Issuer by the President or Vice President or the Secretary or Assistant Secretary of the governing body and delivered to the Bank.

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

*Ordinance* means the resolution, order, or ordinances of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the governing body of the Issuer or any other officer of the Issuer, and delivered to the Bank.

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

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

*Record Date* means the Record Date as defined in the Ordinance.

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

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

*Securities* means the securities defined in the recital paragraphs herein.

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

*Stated Maturity* means the date specified in the Ordinance as the fixed date on which the principal of a Security is scheduled to be due and payable.

#### Section 2.2. Other Definitions.

The terms "Bank", "Issuer", and "Security" have the meanings assigned to them in the opening paragraph of this Agreement or in the Recitals of the Issuer.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

Section 2.3. Construction of Terms.

If appropriate in the context of this Agreement, words of the singular shall be considered to include the plural, words of the plural shall be considered to include the singular, and words of the masculine, feminine, or neuter gender shall be considered to include the other genders.

ARTICLE 3  
PAYING AGENT

Section 3.1. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer, the interest on each Security when due. The Bank shall compute the amount of interest to be paid to each Holder, and shall prepare and send a check in the amount by United States mail (first class postage prepaid) on or prior to each interest payment date, to the Holder of each Security (or Predecessor Securities) whose name appears in the Security Register on the Record Date. Such checks shall be mailed in such manner to such Holder at the address for each such Holder appearing on the Security Register or shall be transmitted to such Holder on each interest payment date by such other method acceptable to the Bank, required in writing by, and at the risk and expense of the Holder.

Section 3.2. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal and interest on the Securities at the dates specified in the Ordinance. The Issuer agrees to transfer or to cause to be transferred, in immediate available funds, to the Bank to pay principal and/or interest, either or both, by no later than 4:00 p.m. on the business day immediately preceding the payment dates.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of and interest on each Security when due, by computing the amount of interest to be paid each Holder, preparing the checks and mailing the checks on the payment date, to the Holders of the Securities on the Record Date, addressed to their address appearing on the Security Register.

ARTICLE 4  
REGISTRAR

Section 4.1. Transfer and Exchange.

The Issuer shall keep at the Bank Office a register (the Security Register) in which, subject

to such reasonable written regulations as the Issuer may prescribe (which regulations shall be furnished the Bank herewith or subsequent hereto by Issuer Order), the Issuer shall provide for the registration of the Securities and for transfers of Securities. The Bank is hereby appointed Registrar for the purpose of registering Securities and transfers of Securities as herein provided. The Bank agrees to maintain the Security Register while it is Registrar.

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

As a condition to effecting a re-registration, transfer or exchange of the Securities, the Registrar may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities. To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof shall be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be canceled and exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

#### Section 4.2. Certificates.

The Issuer shall provide the Registrar with an adequate inventory of Securities certificates to facilitate transfers. The Bank covenants that it will maintain the Securities certificates in safekeeping and will use reasonable care in maintaining such Securities certificates in safekeeping, which shall not be less than the level of care it maintains for debt securities of other political subdivisions or corporations for which it serves as registrar, or which it maintains for its own securities.

#### Section 4.3. Form of Security Register.

The Bank as Registrar will maintain the records of the Security Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than those which the Bank has currently available and currently utilizes at the time.

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

#### Section 4.4. List of Security Holders.

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

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

#### Section 4.5. Return of Canceled Securities.

The Bank will destroy all canceled Securities pursuant to the Securities Exchange Act of 1934.

#### Section 4.6. Mutilated, Destroyed, Lost or Stolen Securities Certificates.

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

The Bank will issue and deliver a new Security certificate in exchange for a mutilated Security certificate surrendered to it. The Bank will issue a new Security certificate in lieu of a Security certificate for which it received written representation from the Holder that the certificate representing such Security is destroyed, lost, or stolen, without the surrender or production of the original certificate. The Bank will pay on behalf of the Issuer the unpaid principal and premium, if any, of a Security at the Stated Maturity or on the Redemption Date or Acceleration Date, for which it receives written representation that the certificate representing such Security is destroyed, lost, or stolen without the surrender or production of the original certificate.

The Bank will not issue a replacement Security certificate or pay such replacement Security certificate unless there is delivered to the Bank such security or indemnity as it may require (which may be by the Bank's Blanket Lost Original Instrument Bond) to save both the Bank and the Issuer harmless.

On satisfaction of the Bank and the Issuer that a Security certificate has been mutilated, destroyed, lost or stolen, the certificate number on the mutilated, destroyed, lost or stolen Security certificate will be canceled with a notation that it has been mutilated, destroyed, lost or stolen and a new Security certificate will be issued of the same series and of like tenor and principal amount bearing a number (according to the Security Register) not contemporaneously outstanding.

The Bank may charge the Holder the Bank's fees and expenses in connection with issuing

a new Security certificate in lieu of or exchange for a mutilated, destroyed, lost, or stolen Security certificate.

The Issuer hereby accepts the Bank's current Blanket Lost Original Instrument Bond for lost, stolen, or destroyed certificates and any future substitute bond for lost, stolen, or destroyed certificates that the Bank may arrange; and agrees that the coverage under any such bond is acceptable to it and meets the Issuer's requirements as to security or indemnity. The Bank need not notify the Issuer of any changes in the security or other company giving such bond or the terms of such bond. At any time the Bank is customarily open for business, the Blanket Lost Original Instrument Bond then utilized for the purpose of lost, stolen, or destroyed certificates by the Bank shall be available for inspection by the Issuer on request. The Issuer hereby accepts the Bank's indemnity to replace the Security certificates destroyed or lost while in the possession or under the control of the Bank.

Section 4.7. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01 and Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01.

ARTICLE 5  
THE BANK

Section 5.1. Duties of the Bank.

The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

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

Section 5.2. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured it.

(d) The Bank may relay and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

#### Section 5.3. Recitals of Issuer.

The recitals contained herein and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

#### Section 5.4. May Hold Securities.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar or any other agent, provided that such dealings do not result in a breach of any duties or agreement imposed by this Agreement.

#### Section 5.5. Money Held by Bank.

A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of money received from the Issuer hereunder for the payment of the

Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Texas Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Texas Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Texas Property Code or inactive under Chapter 73 of the Texas Property Code.

#### Section 5.6. Indemnification.

The Issuer agrees, to the extent it legally may, to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or substitution of the Bank or the termination of this Agreement.

#### Section 5.7. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demands or controversy over its persons as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County or Counties where either the Bank (Texas offices only) or the Issuer is located, waiver personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the address set forth in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming interest herein.

#### Section 5.8. Depository Trust Company.

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", promulgated from time to time by The Depository Trust Company,

which establishes requirements for securities to be eligible for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemption and calls.

## ARTICLE 6 MISCELLANEOUS PROVISIONS

### Section 6.1. Amendment.

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

### Section 6.2. Assignment.

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

### Section 6.3. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer of the Bank shall be mailed or delivered to the Issuer of the Bank, respectively, at the addresses shown on the signature page of this Agreement.

### Section 6.4. Effect of Headings.

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

### Section 6.5. Successor and Assigns; Merger, Conversion, Consolidation or Succession.

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

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be successor of the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Security shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Security so registered with the same effect as if such successor Bank had itself registered such Security.

Section 6.6. Separability.

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

Section 6.7. Benefits of Agreement.

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

Section 6.8. Entire Agreement.

This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar for the Securities, and if any conflict arises between this Agreement and the Ordinance, the Ordinance shall govern.

Section 6.9. Counterparts.

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

Section 6.10. Termination.

This Agreement will terminate on the date of final payment by the Bank issuing its checks for the final payment of principal of and interest on the Securities.

This Agreement may be earlier terminated upon 60 days written notice by either party; provided, however, that this Agreement may not be terminated (i) by the Bank until a successor Paying Agent/Registrar that is a national or state banking institution and a corporation or association organized and existing under the laws of the United States of America or of any state which possesses trust powers and is subject to supervision or examination by a federal or state regulatory agency has been appointed by the Issuer and has accepted such appointment, or (ii) at any time during which such termination might, in the judgment of the Issuer, disrupt, delay, or otherwise adversely affect the payment of the principal, premium, if any, or interest on the Securities. Prior to terminating this Agreement, the Issuer may reasonably require the Bank to show that such termination will not occur during a period described in (ii) above.

The resigning Paying Agent/Registrar may petition any court of competent jurisdiction for the appointment of a successor Paying Agent/Registrar if an instrument of acceptance by a successor Paying Agent/Registrar has not been delivered to the resigning Paying Agent/Registrar within sixty (60) days after the giving of such notice of resignation.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

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

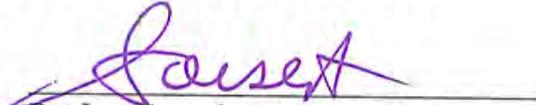
Section 6.11. Governing Law.

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

*[The remainder of this page intentionally left blank.]*

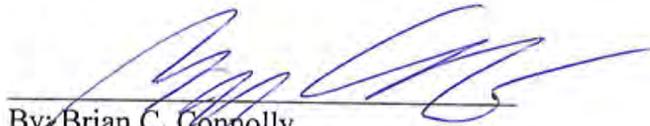
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS



By: Len Forsyth  
Title: President, Board of Directors  
Address:

Attest:

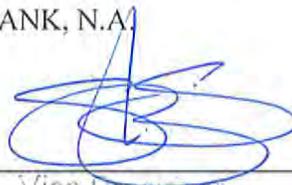


By: Brian C. Connolly  
Title: Secretary, Board of Directors  
(SEAL)

EXECUTION PAGE

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

UMB BANK, N.A.



BY \_\_\_\_\_

TITLE Vice President

Address: 5555 San Felipe, Suite 870  
Houston, Texas 77056

**Annex A**  
Fee Schedule

February 7, 2020



**FEES AND EXPENSES**

**FOR:**

**Mason Creek Utility District  
Unlimited Tax Bonds, Series 2020**

**Fees for services are as follows:**

<b>Acceptance Fee:</b>	<b>WAIVED</b>
------------------------	---------------

A one-time fee payable at closing to cover the review of governing documents, communication with financing team, set-up of account records and customary duties and responsibilities relating to the closing.

<b>Annual Paying Agent/Registrar Fee:</b>	<b>\$500.00</b>
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Annual fee to cover the duties and responsibilities of the Paying Agent/Registrar related to the administration of the transaction including the maintenance of account records on various systems, the monitoring of required compliance items, payment of debt services and all routine duties as contemplated by the governing documents.

- First year annual fee is payable in advance on the closing date and annually thereafter until termination.
- A \$300 fee will be billed for Optional Redemptions at the time of service.

<b>Refunding Escrow Agent, One-time:</b>	<b>0.00</b>
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One-time fee to cover the duties and responsibilities of the Escrow Agent related to the administration of the escrow fund. Fee is payable in advance at closing.

<b>Optional Redemptions:</b>	(\$300.00 per each redeemed at UMB)	<b>\$300.00</b>
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Cost includes distribution to holders of record, redemption processing and notification through DTC. Any and all publication expenses including Bond Buyer, Regional and Financial Periodicals for the call notice will be billed to the Issuer at cost

<b>Extraordinary Services/ Miscellaneous Fees:</b>
--

The fees, charges and expenses specified herein are for the typical and customary services as Bond Registrar and Paying Agent. UMB may also charge for typical out-of-pocket expenses and other expenses connected with paying agent and registrar services for bond issues of similar size and type such as: postage, supplies, bond redemptions, courier, wire transfer and long distance telephone. Fees for additional or extraordinary services not now part of the customary services provided, such as special services during defaults, additional government reporting requirements, or document amendments will be charged at the then current rates for such services. Extraordinary expenses, such as legal fees and travel expenses, shall be invoiced to the client based upon the actual out of pocket cost to the Agent/Trustee. UMB reserves the right to renegotiate its current fee schedule to correspond with changing economic conditions, inflation, and changing requirements relating to the day to day service delivery. Final acceptance of the appointment is subject to approval of authorized officers of UMB Bank, N.A. and full review and execution of all documentation related hereto. Fees paid in advance are not subject to proration. Execution of the governing documents constitutes agreement to the fee schedule noted above.

**INCUMBENCY AND CORPORATE AUTHORITY CERTIFICATE OF**  
**UMB BANK, N.A.**

The undersigned officer of UMB BANK, N.A. (the *Bank*), a bank with trust powers serving as the paying agent and registrar under a Paying Agent/Registrar Agreement, dated as of February 12, 2020 (the *PAR Agreement*) between Mason Creek Utility District (the *Issuer*) and the Bank regarding the Mason Creek Utility District Unlimited Tax Bonds, Series 2020 (the *Bonds*), hereby certifies as follows:

1. The PAR Agreement was executed on behalf of the Bank by one or both of the persons named below, and such persons were at the time of executing the Escrow Agreement, and are now, the duly elected, qualified, and acting incumbents of their offices; and the signature appearing after each name below is the true and correct specimen of such person's genuine signature.

<u>Name</u>	<u>Office</u>	<u>Signature</u>
Shazia Flores	Vice President	
_____	_____	_____
_____	_____	_____

2. The foregoing officers of the Bank, by virtue of the authority delegated to them by the certificate of authorization/resolution of the Board of Directors of the Bank, a true and correct copy of the pertinent provisions of such certificate being attached hereto as Exhibit A, are authorized on behalf of the Bank to execute and deliver such other and further documents as may be necessary or incidental to the acceptance and performance of the trusts and obligations set forth in the Escrow Agreement; to attest any of the foregoing.

IN WITNESS WHEREOF, I have hereunto set my hand this February 7, 2020.

UMB BANK, N.A.  
as Paying Agent and Registrar

By:   
Name: Mauri J. Cowen  
Title: Senior Vice President

**UMB BANK, NATIONAL ASSOCIATION  
CERTIFIED COPY OF RESOLUTIONS CONCERNING  
SIGNATURE AUTHORITY IN CORPORATE TRUST AND ESCROW SERVICES**

The undersigned, Assistant Secretary of UMB Bank, a national banking association organized under the laws of the United States of America, certifies that the following is a true copy of resolutions, conferring authority to sign instruments in the name and on behalf of the Bank in any of its fiduciary capacities or otherwise in the operation of this Corporate Trust and Escrow Services Department, which were duly adopted by the Board of Directors of said Bank at a meeting held on January 28, 2015 and that said resolutions have not been altered, amended, or revoked, and are still in full force and effect:

**Definition of Corporate Trust and Escrow Services**

**RESOLVED**, that for the purposes of the following resolutions the term "Corporate Trust" shall include all offices in the Corporate Trust and Escrow Services Department performing fiduciary activities in UMB Bank, n.a. (the "Bank");

**Deeds, Mortgages, Deeds of Trust, Indentures,  
Assignments, Powers of Attorney and Other Contracts**

**RESOLVED FURTHER**, that the Chairman, the President, and any Vice President, including any Executive or Senior Vice President, in Corporate Trust be, and each of them hereby is, authorized and empowered to execute and deliver, in the name and on behalf of this Bank, any deeds, mortgages, deeds of trust, leases, trust indentures, assignments transferring title to real or personal property, powers of attorney and other contracts of any kind deemed necessary, advisable or appropriate in the operation of Corporate Trust;

**Proxies, Endorsement of Stock Certificates and Bonds,  
Stock and Bond Powers and Other Instruments**

**RESOLVED FURTHER**, that any officer, relationship manager or supervisor of Corporate Trust be, and each of them hereby is, authorized and empowered to execute and deliver, in the name and on behalf of this Bank, any proxies, general or special, and to endorse, in the name and on behalf of this Bank, any stock certificates, registered bonds, stock or bond powers, or other instruments supporting the sale or transfer of any securities of any kind or character;

**Court Applications**

**RESOLVED FURTHER**, that any officer of Corporate Trust be, and hereby is, authorized and empowered to sign and verify, in the name and on behalf of this Bank, any petition or other application to any court for instructions or other relief and any pleadings in any matter to which this Bank, in the operation of Corporate Trust, may be a party;

**Countersigning and Authenticating Bonds,  
Stock Certificates and Other Instruments**

**RESOLVED FURTHER**, that any officer, relationship manager, or supervisor of Corporate Trust be, and hereby is, authorized and empowered to record, countersign and authenticate as transfer agent and to authenticate as registrar any certificates for stock of corporations for which this Bank is designated as

transfer agent or registrar; to register and/or to authenticate any and all bonds, debentures, notes or other evidences of indebtedness issued under and pursuant to any indenture under which this Bank is acting as trustee or agent or in other fiduciary capacity, or issued without any such indenture in connection with a transaction in which this Bank is acting as trustee, transfer agent, registrar and/or other agent or fiduciary;

#### **Certifications and Signature Guaranties**

RESOLVED FURTHER, that any Vice President of the Bank and any officer, relationship manager, or supervisor of Corporate Trust be, and each of them hereby is, authorized in the name and on behalf of this Bank to sign any signature guaranty or other certification, including agreements to indemnify others against action taken in reliance on certifications of other officers of Corporate Trust, which may be necessary or appropriate in the operation of Corporate Trust;

#### **Receipts**

RESOLVED FURTHER, that any officer, relationship manager, or supervisor of Corporate Trust be, and each of them hereby is, authorized and empowered in the name and on behalf of this Bank, to sign any receipt for cash, securities, other property or documents which shall be delivered to the Corporate Trust;

#### **Checks and Drafts**

RESOLVED FURTHER, that any officer, relationship manager, or supervisor of Corporate Trust be, and each of them hereby is, authorized and empowered to sign, in the name and on behalf of this Bank, checks and drafts drawn in the course of the business of Corporate Trust on accounts in this Bank or in any other depository;

#### **Facsimile Signatures**

RESOLVED FURTHER, that the use of facsimile signatures of officers of Corporate Trust, in connection with the operation of Corporate Trust, be and hereby is, authorized;

#### **Relationship Manager**

RESOLVED FURTHER, that the term "relationship manager" as used herein includes employees designated as corporate trust relationship managers;

#### **Attestation of Trust Instruments and Affixing Corporate Seal**

RESOLVED FURTHER, that Doug Hare, as Assistant Secretary and the persons whose names appear in the attached Exhibit A entitled "Assistant Secretaries of UMB Bank, n.a.," each as Assistant Secretary of this Bank or any other Assistant Secretary of the Bank as may be appointed by the board of directors from time to time, be, and each of them hereby is, authorized and empowered to affix and attest the affixing of the corporate seal of this Bank to any instrument requiring such attestation which has been executed in accordance with the general authority hereinabove conferred;

#### **General Provisions**

RESOLVED FURTHER, that those officers and employees whose names and titles appear in the attached

Exhibit B entitled "Officers and Employees of UMB Corporate Trust and Escrow Services Department" are authorized to execute any instrument requiring such execution in accordance with the general authority hereinabove conferred;

RESOLVED FURTHER, that the officers and employees hereinabove named or described be, and each of them hereby is, authorized and empowered to do and perform such other and further acts in the premises as may be deemed necessary, advisable or appropriate to carry out the objects and purposes of these resolutions;

RESOLVED FURTHER, that any action taken or done by such officers and employees, and each of them pursuant to the power and authority conferred by these resolutions be, and hereby is, ratified, confirmed and approved;

RESOLVED FURTHER, that these resolutions shall not be deemed or construed to limit in any way the power and authority otherwise conferred upon the officers and employees, hereinabove named or described, by law, by the bylaws of this Bank, or by virtue of their respective offices; it being the purpose of these resolutions to confirm and clarify the existence of all of the powers and authority herein expressly conferred.

Dated this 3<sup>rd</sup> day of January, 2019

  
Assistant Secretary

[SEAL]



EXHIBIT A  
Assistant Secretaries of UMB Bank, n.a.

Angotti, Elizabeth E.
Battas, Sandra L.
Black, Brenda
Buckius, Kenneth
Carlson, Katie
Daley, Damien
Dengler, Rebecca A.
Dixon, Tamara L.
Donofrio, Teresa
Duarte, Tremaine
Fernandez, Jonathan
Flores, Shazia
Gaytan, Jose
Givens, Kyrsten
Gunning, Casey
Gwin, Victoria
Hansen, Anne-Marie
Hare, Douglas G.
Hawkins, Anthony P.
Hoffman, Kenneth
Honsel, Brad
Kohler, Lori E.
Krull, Linda, M.
Lambert, Janet M.
Lugo, Israel
Lutz, Leigh
Mathews, K. Scott
McConnell, Jason E.
McCoy, Tiffany
Mogelnicki, Nancy
Novosak, Richard F.
Peters, Patricia M.
Prives, Nancy
Puleo, Karie A.
Schmidt, Dee Anna
Schwartz, Jacquie
Stevens, Lara L.
Stevens, Necia
Wahl, John
Wallace, Carla
Wallace, Madelyn
Wiegand, Torri
Wieggers, Julia
Wuestling, Faith
Zamora, Julius

EXHIBIT B  
OFFICERS AND EMPLOYEES OF UMB CORPORATE TRUST  
DIVISION

NAME	TITLE
Angotti, Elizabeth E.	Assistant Vice President
Battas, Sandra L.	Vice President
Beeman, Kathy J.	Senior Vice President
Black, Brenda	Senior Vice President
Brown, Dain W.	Senior Vice President
Butler, Dillon	Vice-President
Buckius, Kenneth B.	Senior Vice President
Carlson, Katie	Vice-President
Cook, Timothy	Senior Vice President
Cowen, Mauri	Senior Vice President
Daley, Damien	Vice President
Dengler, Rebecca A.	Vice President
Dixon, Tamara L.	Vice President
Donofrio, Teresa	Assistant Vice President
Duarte, Tremaine B.	Trust Officer
Dunn, Bob	Senior Vice President
Fernandez, Jonathan	Assistant Vice President
Finklea, Steven	Senior Vice President
Flannagan, Mark B.	Executive Vice President
Flores, Shazia	Vice President
Gaytan, Jose	Vice President
Givens, Kyrsten	Trust Officer
Gendler, Gordon	Senior Vice President
Gleason, Lorna	Senior Vice President
Gunning, Casey	Senior Vice President
Gwin, Victoria	Vice-President
Hare, Douglas G.	Senior Vice President
Hansen, Anne-Marie	Vice President
Hawkins, Anthony P.	Vice President
Heer, Mark	Senior Vice President
Hoffman, Kenneth	Vice President
Hounsel, Brad	Vice President
Housum, Virginia Anne	Senior Vice President
Kennelly, Johanna	Vice-President
Kohler, Lori E.	Vice President
Krippner, Brian P.	Senior Vice President
Krull, Linda M.	Vice President
Lambert, Janet M.	Vice President
Lugo, Israel	Vice President
Lutz, Leigh	Senior Vice President
Madsen, DeAnn	Vice-President
Massa, David	Senior Vice-President
Mathews, K. Scott	Vice President
McConnell, Jason E.	Vice President
McCoy, Tiffany	Assistant Vice President
Mogelnicki, Nancy	Vice President
Morgan, Eric	Senior Vice President

EXHIBIT B  
OFFICERS AND EMPLOYEES OF UMB CORPORATE TRUST  
DIVISION

Novosak, Richard F.	Vice President
Palan, Madeline	Vice-President
Peters, Patricia M.	Vice President
Prives, Nancy	Vice-President
Puleo, Karie A.	Vice President
Roberson, Laura S.	Senior Vice President
Rosevear, Scott	Senior Vice President
Schmidt, Dee Anna	Vice President
Schwartz, Jacquie	Vice President
Slade, Michael G.	Senior Vice President
Stevens, Lara L.	Vice-President
Stevens, Necia	Senior Vice-President
Viator, David	Vice-President
Wahl, John	Vice-President
Wallace, Carla	Vice-President
Wallace, Madelyn	Vice-President
Wiegand, Torri	Trust Officer
Wiegers, Julia	Vice President
Wilkinson, Gavin	Senior Vice President
Wuestling, Faith	Trust Officer
Zamora, Julius	Vice-President

**MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS**

Chief of Public Finance Division  
Public Finance Department - Bond Division  
300 West 15th, 7th Floor  
Austin, Texas 78701

**FEDERAL EXPRESS**

RE: \$2,650,000 Mason Creek Utility District Unlimited Tax Bonds, Series  
2020

Ladies and Gentlemen:

The above referenced Bonds will be sent to you for approval, and in connection therewith, we enclose one (1) executed but undated Signature Identification and No-Litigation Certificate. Upon your approval of the Bonds, you are hereby authorized and respectfully requested to insert the date in such certificate, which date should be the same as your approval date. If any litigation should develop before you have approved such bonds, we will notify you at once by telephone or by telegraph. With this assurance, you may rely upon the absence of litigation at the time that you approve the Bonds, unless we advise you to the contrary.

After you have approved the bonds, please deliver them to the Comptroller of Public Accounts of the State of Texas for registration.

  
\_\_\_\_\_  
President, Board of Directors  
Mason Creek Utility District  
of Harris County, Texas

**Michael A. Cole, P.C.**

Phone  
713-880-3800  
mac@maclawpc.com

Attorney At Law  
5120 Bayard Lane  
Houston, Texas 77006-6512

Fax  
713-880-1417

March 18, 2020

Assured Guaranty Municipal  
1633 Broadway  
24<sup>th</sup> Floor  
New York, NY 10019

WE HAVE ACTED AS BOND COUNSEL for Mason Creek Utility District of Harris County, Texas (the "District"), which we also represent on other matters, in connection with an issue of bonds (the "Bonds") described as follows: MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, UNLIMITED TAX BONDS, SERIES 2020 aggregating \$2,650,000 in principal amount, dated March 1, 2020.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the District and other public officials. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement, dated February 12, 2020, has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, including, without limitation, the Bond Resolution, together with customary certificates of officers, agents and representatives of the District and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person whether any such actions are taken or omitted or events do occur or any other matters that come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second and third

paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT the District has been validly created and organized; the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; and, therefore, the Bonds are valid and legally binding obligations of the District, and all taxable property in the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount.

The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions generally.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County or any other entity.

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.
- (2) Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

In the Bond Resolution the District has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the bonds as "qualified tax-exempt obligations". Based on such representations and covenants, it is our opinion that the Bonds are "qualified tax-exempt obligations" under existing law.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Bonds.

A handwritten signature in black ink, appearing to be a stylized name, possibly "W. A. R.", written in a cursive script.

CERTIFICATE OF RESOLUTION

STATE OF TEXAS §
COUNTY OF HARRIS §

The Board of Directors of Mason Creek Utility District of Harris County, Texas, met in regular session, open to the public, at the regular meeting place thereof, on the 16th day of October, 2019, and the roll was called of the duly constituted officers and members of the Board, to wit:

- Len Forsyth President
James G. Hamblet, III Vice President
Brian C. Connolly Secretary
John H. Cameron Treasurer
Robert J. Wills Director

and all of said persons were present, excepting None, thus constituting a quorum. Whereupon, among other business, the following measure, to-wit:

RESOLUTION AUTHORIZING APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS

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

2. That a true, full and correct copy of the aforesaid measure adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; and that the measure has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the measure would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended by the Texas Water Code.

SIGNED AND SEALED this the 16th day of October, 2019.



Signature of the President, Board of Directors

**RESOLUTION AUTHORIZING APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS**

---

**THE STATE OF TEXAS**                    §

**COUNTY OF HARRIS**                   §

WHEREAS, Mason Creek Utility District of Harris County, Texas (the "District"), is fully developed and has constructed virtually all of its waterworks, sanitary sewer, storm sewer and drainage system to serve the land within the District; and

WHEREAS, the District has heretofore issued \$3,035,000 Water and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1973; \$1,525,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1976; \$2,360,000 Waterworks and Sewer Combination Unlimited Tax and Revenue Bonds Series, 1976-A; \$3,400,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds; \$4,050,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds; \$2,800,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 1987; \$7,240,000 Unlimited Tax Refunding Bonds, Series 1992; \$2,500,000 Unlimited Tax Bonds, Series 1995; and \$2,350,000 Unlimited Tax Bonds, Series 2011; and

WHEREAS, the District's electorate on December 4, 1993 voted an authorization of \$7,500,000 in Unlimited Tax Bonds with which to finance among other things extension of a waterworks, sanitary sewer and drainage and storm sewer system, of which \$2,779,000 of such authorization remains unissued after the issuance of the Series 2011 Unlimited Tax Bonds; and

WHEREAS, the District desires to fund improvements to two lift stations and the rehabilitation of a sanitary sewer line all to serve its customers (the "Project Facilities"); and

WHEREAS, Section 49.181, Texas Water Code, requires the District, when it desires to issue bonds, to submit in writing to the Texas Commission on Environmental Quality (the "Commission") an application for the investigation of the project proposed to be constructed and of the District's bonds proposed to be issued, together with a copy of the engineer's report and a copy of the data, plat, profiles, maps, plans and specifications prepared in connection with such system and such other data and information as may be reasonably required by the Commission; and

WHEREAS, the District concludes that its financial status has reached the thresholds provided for in Section 293.59 of the Commission's Rules; and

WHEREAS, the District has a debt to appraisal value ratio of less than ten percent and a credit rating of "A+" which exceeds the minimum standard of "BBB" or better from Standard & Poor's, Inc.; and

WHEREAS, the Board of Directors desires to secure the approval and consent of the Commission for the construction of the Project Facilities on an expedited review basis under Commission Rules; a waiver of any market study requirement of the Commission; and the issuance

of the Bonds hereafter in Section 2 (3) of this resolution; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, THAT:

Section 1: The matters and facts set out in the preamble of this resolution are hereby found and declared to be true and correct.

Section 2: The President and Secretary of the Board of Directors of Mason Creek Utility District are hereby authorized and directed as follows:

- (1) To make application to the Commission for an investigation and report on an expedited review basis on the feasibility of the District's constructing and/or financing the Project Facilities described in the District's engineering report accompanying this application;
- (2) To represent and declare that the District does not need a year of capitalized interest;
- (3) To represent and state that the District is exempt from any requirement for a market study in connection with this application; and
- (4) To request the Commission to approve the bonds of the District in the principal amount of \$2,650,000.

Section 3: By this application, the District assures the Commission that it will abide by all terms and conditions prescribed by the Commission in connection with approval of this project.

Section 4: The District's President, engineer, financial advisor, bookkeeper, operator, attorney and bond counsel are authorized and directed to do any and all things necessary and proper in connection with effecting the approval of this application.

Section 5: A certified copy of this resolution shall constitute an application and request on behalf of the District to the Commission pursuant to Section 49.181, Texas Water Code, for approval of the project described in Section 2(1) and the bonds described in Section 2(4) of this Resolution, and without necessity for a market study.

PASSED AND APPROVED this 16<sup>th</sup> day of October, 2019.

/s/ Len Forsyth

President, Board of Directors

ATTEST:

/s/ Brian C. Connolly

Secretary, Board of Directors

(SEAL)

**SIGNATURE IDENTIFICATION AND  
NO-LITIGATION CERTIFICATE**

**THE STATE OF TEXAS**           §  
  §  
**COUNTY OF HARRIS**           §

We, the undersigned officers of MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS, certify that we officially signed, on behalf of said District, the following described bonds, to-wit:

MASON CREEK UTILITY DISTRICT OF HARRIS COUNTY, TEXAS Unlimited Tax Bonds, Series 2020, aggregating \$2,650,000 initially dated as of March 1, 2020, designated within each maturity "I-1," followed by the last two digits of the year of such maturity, in initial denominations equal to the entire principal amount or maturity amount of each scheduled maturity of such Bonds,

being on the date of such signing and on the date hereof the duly chosen, qualified, and acting officers authorized to execute such bonds, and holding the official titles set forth below opposite our signatures.

We further certify that no litigation of any nature is now pending or threatened, either in the state or federal courts, contesting or attacking said bonds or restraining or enjoining their issuance, execution or delivery, or restraining or enjoining the levy, assessment and/or collection and/or pledge of the funds from which said bonds are payable, or in any manner questioning the authority or proceedings for the issuance, execution or delivery of said bonds, or challenging the validity or accuracy of the District's boundaries, or affecting the title of the present officials of said District to their offices, and that no proceedings or authority for the issuance, execution or delivery of said bonds have been repealed, rescinded or revoked.

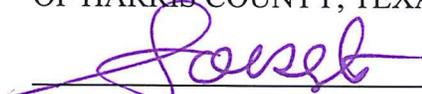
We further certify that the seal which has been impressed upon each of said bonds is the legally adopted, proper and only official seal of the District, said official seal also being impressed on this certificate.

We further certify that no petition or other request has been filed with or presented to any official of the District requesting that any of the proceedings authorizing said bonds be submitted to a referendum or other election.

WITNESS OUR HANDS AND SEAL, this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

MASON CREEK UTILITY DISTRICT  
OF HARRIS COUNTY, TEXAS

(SEAL)

  
\_\_\_\_\_  
President, Board of Directors

  
\_\_\_\_\_  
Secretary, Board of Directors

The signatures of the above officers are hereby certified to be genuine.

BBVA-USA

  
By \_\_\_\_\_  
Karen Vetrano  
Deposit Services Specialist  
\_\_\_\_\_  
Title of Bank Officer

# r. g. miller engineers, inc.

MASON CREEK UTILITY DISTRICT  
HARRIS COUNTY  
1993 BOND ELECTION  
\$7,500,000 UNLIMITED TAX BONDS

## GENERAL INFORMATION

### The District

Mason Creek Utility District of Harris County, Texas was organized, created and established pursuant to Chapter 664, Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and to the provisions of Article XVI, Section 59 of the Texas Constitution. The District operates under Chapter 54 of the Texas Water Code and is subject to continuing supervision of the Texas Water Commission (the "Commission"). The Board of Directors held its first meeting on December 29, 1971.

The present total acreage within the District is approximately 892 acres. Substantially all the land in the District has been furnished with utilities from the proceeds of previous bond issues except for site specific facilities on remaining undeveloped tracts. Current population of the District is estimated at 7,991.

The District is located in Harris County, approximately 22 miles west of the central business district of the City of Houston, Texas. Principal access from Houston to the District is provided by Interstate Highway 10 and Fry Road.

### Status of Development

Kickerillo Development Company, a Houston-based wholly-owned subsidiary of the Kickerillo Company, was the principal developer for the area commonly known as "Nottingham Country," which includes the District. The Kickerillo companies have developed and sold substantially all of their land holdings within the District. There is currently no principal developer in the District.

The District includes a number of separately-platted subdivisions (Nottingham Country, Sections 1 through 9 and Mason Creek Park, Section 1) as well as some unplatted acreage tracts. Homes in the District range in value from approximately \$110,000 to approximately \$170,000.

The District has water, sewer and drainage facilities in place to serve substantially all of its area. For some of the unimproved commercial tracts, it may be necessary to install additional facilities, such as water distribution or wastewater collection lines, within or near the tracts before service could be extended to those tracts.

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Commercial development includes a 98,000-square-foot center at the intersection of Interstate Highway 10 (Katy Freeway) and Fry Road (with a Walgreen's store, a Gerland's grocery store, a restaurant, and several specialty stores). There are also two small strip centers, a fast food restaurant, a convenience store, a nursery, a service station, a 21,000-square-foot office building, a 40,684-square-foot building, and a 4,000 square foot building.

### PROPOSED BONDS

It is the responsibility of the District to promote and protect the purity and sanitary conditions of the State's waters which in turn protects the public health and welfare of the community. Since the majority of the District's infrastructure has been in place for 15-20 years it is necessary to upgrade the waterworks, sanitary sewer systems and drainage facilities to extend the life of the infrastructure.

The proceeds of the proposed bond issue(s) will be used to rehabilitate and improve the District's water supply and distribution system, wastewater collection, conveyance and treatment system, and the stormwater collection system. Also included will be funds necessary to provide water, sewer and drainage services to the remaining undeveloped property within the District.

### FACILITIES PROPOSED FOR FUNDING

#### A. Rehabilitation and Improvement of Water, Sewer and Drainage Facilities

##### 1.) Water Supply and Distribution Systems

The proposed improvements to the water supply and distribution systems include the following:

##### a.) Water Storage Tanks

- Structural repairs and modifications for the purpose of extending the life of the tanks and meeting the current standards of the Commission.
- Recoating the interior and exterior of the tanks for the purpose of extending the life of the tanks and maintaining the quality of the water stored therein.
- Replacement of tanks as deemed necessary by structural inspections and evaluations.

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## 3.) Stormwater Collection Facilities

- Rehabilitation of existing stormwater collection systems located within public easements but outside of street right-of-ways.
- Extension of stormwater collection facilities to serve undeveloped tracts remaining within the District.

## **BOND ISSUANCE**

The attached cost summary reflects the currently estimated uses for the total bond issue requirement of \$7,500,000. The exact cost of each item will be determined as contracts are executed over the course of the improvement program. The contract amounts may be more or less than the current estimates, particularly if subsequently obtained information indicates a greater (or lesser) need for any given part of the program.

It is anticipated that the bonds will be issued in three (3) equal amounts of \$2,500,000. The schedule of issuance is projected to be one \$2,500,000 issue in 1994, 1997 and 1999.

Bond issues assume an annual interest rate of 6.25%. Please refer to the attached cash flow analysis prepared by the District's financial advisor for information relating to the tax revenues and debt service requirements.

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## b.) Pumping and Pressure Maintenance Equipment

- Replacement of booster pumps, well motors and pump assemblies.
- Well modifications to facilitate lowering of the pump assemblies to account for the decrease in the level of the water table.
- Control modifications to upgrade the system and increase the efficiency of the pressure maintenance.
- Water main replacements as necessitated by age of the system and ground shifting.
- Extension of water distribution systems to serve undeveloped tracts remaining within the District.

## 2.) Wastewater Collection, Regional Conveyance and Treatment Facilities

The proposed improvements to the wastewater collection system, regional conveyance and treatment facilities includes the following:

- Infiltration and Inflow (I/I) investigations for the purpose of locating areas in the wastewater collection system where groundwater infiltration and/or stormwater enters the system. System rehabilitation to eliminate I/I problems identified.
- Rehabilitation and/or replacement of the wastewater lift station pumping equipment.
- Structural rehabilitation and/or modifications.
- Modification of the pump station control systems.
- Force main relocation to accommodate the extension of Westgreen Blvd., the widening of Mason Road and the rectification of the Harris County Flood Control Channel between Westgreen Blvd. and Mason Road.
- Rehabilitation of the regional wastewater conveyance and treatment facilities.
- Extension of wastewater collection facilities to serve undeveloped tracts remaining within the District.

# r. g. miller engineers, inc.

## MASON CREEK UTILITY DISTRICT BOND ISSUE REQUIREMENT

<u>Construction Costs</u>	<u>Amount</u>
1.) Rehabilitation and Improvement of Water Supply and Distribution Facilities	\$2,000,000
2.) Rehabilitation and Improvement of Wastewater Collection, Regional Conveyance and Treatment Facilities	\$2,425,000
3.) Rehabilitation and Improvement of Drainage Facilities and Other District Facilities as Required	<u>\$ 750,000</u>
	SUB-TOTAL
	\$5,175,000
4.) 15% Contingencies	\$ 776,250
5.) 10% Engineering	<u>\$ 595,125</u>
	TOTAL CONSTRUCTION COSTS
	\$6,546,375
 <u>Non-Construction Costs</u>	
1.) Legal Fees (1.5%)	\$ 112,500
2.) Financial Advisor (1.75%)	\$ 131,250
3.) Capitalized Interest (1 Yr. @6.25%)	\$ 468,750
4.) Administration Expenses	\$ 72,375
5.) Bond Discount (1.25%)	\$ 93,750
6.) Bond Application Report Costs (.75%)	\$ 56,250
7.) TWC Bond Issuance Fee (.25%)	<u>\$ 18,750</u>
	TOTAL NON-CONSTRUCTION
	\$ 953,625
	TOTAL CONSTRUCTION
	<u>\$6,546,375</u>
	TOTAL BOND ISSUE REQUIREMENT
	\$7,500,000